

U.S. ARMY
LIBRARY

NOV 30 1942

CREDIT

and Financial Management

DECEMBER, 1942



Now Ready

War Credit Manual of Commercial Laws

PACKED WITH 35 YEARS' SUCCESSFUL EXPERIENCE
IN SAFEGUARDING SALES AND PROTECTING CREDITS

ENTIRELY NEW FEATURES

- * Credit Features of War Orders
- * Points to Check When Invoicing War Orders
- * Renegotiation of War Contracts
- * The "Termination Clause" and "Assignability"
- * Financing War Orders
- * New Priorities and Allotments Regulations
- * Costs Allowable in War Contracts

COMPLETELY REVISED AND REARRANGED

A new Chapter on the "Law of Credit Information" will guide you away from possible liability when you reply to credit inquiries.

The Section on *Sales* is thoroughly revised to incorporate all recent changes and decisions affecting contracts or transactions with corporations, partnerships, agents and joint ventures.

The Section on *Collections* presents not only accumulated experience, but last-minute rulings on methods, suit-procedures, commercial crimes, frauds, liens and bonds. *Federal Laws that Regulate Business* are clearly explained—New Foreign Trade Regulations, Walsh-Healey Act, Wage & Hour Law, Robinson-Patman, Wheeler-Lea, Tydings-Miller Act, Fair Trade Laws, Etc.

Special Price to Members

The regular price of the Manual, 1943 Edition, on publication, will be \$6.50. However, you are entitled to a special price to member of \$5.10.

MAKE YOUR RESERVATION TODAY

National Association of Credit Men
One Park Avenue New York, N. Y.

CREDIT

and Financial Management

Contents for December 1942

Faith! (Editorial)	Henry H. Heimann.....	2
Profit in Wartime.....	John L. Carey.....	4
Post-War Planning	Robert R. Wason.....	7
An Economist Looks to Peace.....		9
The Psychology of Credit Letters.....	Helen M. Sommers.....	10
Yesterday, Today and Tomorrow.....	E. William Lane.....	14
The Price of Price Control.....	Dr. Paul F. Cadman.....	17
The Place of Debt in Our National Economy.....	George R. Ericson.....	19
Revised Soldiers' and Sailors' Relief Act.....		28
News About Credit Matters.....		33-37
Business Thermometer		39, 40
A Survey of Trends in Manufacturers' and Wholesalers' Activities.		

Cover: "When Santa Claus Wears a Gun"—Photo by Acme News Pictures, New York.

Official Publication of National Association of Credit Men

Chestnut at 56th St., Philadelphia, Pa.

One Park Avenue, New York, N. Y.

Richard G. Tobin
Editor and Manager

Paul Haase
Associate Editor

Clifford T. Rogers
Advertising Manager

ESTABLISHED 1898

VOLUME 44, No. 12

Published on the fifth of each month by the National Association of Credit Men, Chestnut at 56th Street, Philadelphia, Pennsylvania. Entered as second class matter December 22, 1933, at the Post Office at Philadelphia, Pa., under the Act of March 3, 1879. Subscription price, \$3.00 per year, 25c per copy; Canada, \$3.50; all other countries, \$4.00 postpaid. Copyright, 1942, National Association of Credit Men. The National Association of Credit Men is responsible only for official Association statements and announcements printed herein.



"He hath shewed thee, O man, what is good; and what doth the Lord require of thee, but to do justly, and to love mercy, and to walk humbly with thy God?" . . . Micah the Morasthite.

Faith!

First Published in 1938—Reprinted by Request

ON Three hours to idle away in a far-Western town. Up and down Main Street I strolled. The Main Street was without character. Garish chain store fronts in monotonous rows. Occasionally, an individual shop attracted my attention. I passed close to the plate glass front to take a look at the proprietor. He might be worth appraising.

Perhaps the outskirts of the town might be more attractive. Why not try? I circled the village once, then again and a third time. Nine churches I counted. Six in dilapidated condition—abandoned. The shutters hung desperately to their last hinges. The front steps parted company with the sills. Broken windows. The rotting eaves housed the sparrows with their untidy nests sprawling all over the cornice.

I asked about the community. The population, I was told, had not varied a great deal in the last forty years. My imagination was spurred. Had this been the place of my birth, as it well might have been, no doubt some of the churches now so dilapidated would have been places of worship for my ancestry.

There was nothing to do but go back to Main Street. I thoroughly read and digested every part of the morning paper. It told of a stock crash, of impending conflict in Europe, of internal dissension and strife, of panic-stricken people who were looking towards the approaching winter with misgiving. Instinctively I thought of the six abandoned churches and of the world's unrest. Something went wrong with people. Something we seemed unable to correct.

This nation was carved out of a wilderness by those who have gone before us. They built our country. Our generation has been living and spending from their storehouse.

Was there any connection between their exercise of the virtues of thrift and industry and the nine churches? Did they find something fundamental in religion that convinced them idleness was sin and industry God's labor of love? Did not pioneering min-

isters preach the virtue of independence and the vice of dependence? Did not the early settlers practice self-denial to build the virtue of modesty and kindle a spirit of happiness? Did they not, in their Sabbath journey to church, feel a sense of comfort in the discharge of a duty their innate souls somehow told them was necessary if they were to be healthy and wholesome.

In times of catastrophe was there not something in their Sabbath training, as they listened to their spiritual leaders, that caused them to go forth anxious and eager to aid those in distress? Wasn't the destruction of their neighbor's barn by lightning or fire an opportunity for them to evidence respect and love for neighbor by joining together in the barn-raising? When the fields of grain were ripe in the neighbor's field, and he lay ill, did they not in some way get the spirit from these six abandoned buildings that caused them to make their neighbor's harvest without thought of sharing for their labor?

Just why did that community have nine churches, all seemingly well-supported, and just why does the present generation find it difficult to support only three? Are these six churches to be abandoned as having been a part of the old order of things?

Suppose they were reopened. Suppose all abandoned churches reopened and the pews were filled each Sabbath day. Would the world be nearer solving its problems? How difficult it is to answer this in the negative! How easy it is to assume that things would be better!

We speak of a balanced prosperity but even as we utter the words we ought to realize that true prosperity calls for a balance of both soul and body.

What is good business? There are many ideas on this. What are good politics? Ideas are even more confused. Suffice to say, nothing is good in either business or politics that doesn't have a sound foundation. Can there be a sound foundation in anything without faith?

Henry H. Heimann

Executive Manager, N.A.C.M.



A NATION WITHOUT CIVILIANS!

AS America grasps the true meaning of total war the term "civilian," as it was once understood, becomes increasingly empty. Virtually everyone in the nation plays some part in keeping America going—a vital factor in achieving victory.

In this effort, loss to anyone is loss to all. Loss by fire is especially serious since the resulting damage is in man-power, machine-power, materials, or all three. We can afford to squander

none of these war essentials.

Thus America at war has an obligation to take every possible precaution against the outbreak of fire in any instance; further, to see that all property is adequately insured. These wise and necessary precautions will help importantly to keep America "in there punching" until the Axis is vanquished for all time.

All of us should bear in mind the urgent obligation:

Be EXTRA Careful about Fires.

☆ THE HOME ☆
Insurance Company
NEW YORK

FIRE ★ AUTOMOBILE ★ MARINE INSURANCE

Profit in Wartime

What Is the Proper Basis for Renegotiation

The Commandos and their American counterpart, the Rangers, according to the newspapers, are given thorough training in dirty fighting. Some of the tricks they are taught are quite contrary to the notion of sportsmanship with which we were all inculcated in our youth. The excuse for this change in the concept of how to behave in combat is, of course, necessity. You can't fight a rattlesnake under Marquis of Queensberry rules. The significance of the fact is its revelation of the power of the enemy to drag us down to his level.

The enemy can perhaps also drag us down to his economic level. We have to fight fire with fire—we can't fight a total war on a business-as-usual basis—and therefore governmental control of our economy is increasing, which would probably not be tolerated in peacetime, but to which we are all willingly adjusting ourselves now. Planned production and rationing invariably mean a lowered standard of living. The only acceptable excuse for voluntary lowering of the living standard is war.

However, there is one distinct difference between the enemy and ourselves—and it may mean an advantage to him—which we probably could not eliminate even if we wanted to. Germany, Italy and Japan (also Russia) entered the war as dictator states with complete government control over the economy; with the population already adjusted to the discipline of rationing, with private enterprise remaining only in appearance or not at all. We did not enter the war on that basis, but as a democracy with a private enterprise economy, and we probably will have to win the war on that basis. We not only don't want to scrap our present economic system and convert to a totalitarian system, but we couldn't spare the time and energy to do it in the middle of the war.

Now a private enterprise system

By JOHN L. CAREY

Secretary American Institute of Accountants

means simply that private citizens, not the government, own and control the instruments of production, and their incentive to use these instruments—to produce—is the hope of profit—ultimate, if not immediate, profit. Under this system, if an enterprise is unprofitable—if it is not only not making money but shows no prospect of making a profit in the foreseeable future, it will eventually be abandoned. Its credit facilities disappear, its capital values shrink. It cannot attract good management or good labor. It slides toward oblivion.

Profit Spurs Production

PROFIT, then, is the lifeblood of the industrial corporation and profit, therefore, is what sustains abundant production. If there is no profit, under this system ultimately there will be no production.

Now, in my opinion, one of the principal sources of our troubles in the immediate past and present is simply that most people think they know what profit means, but actually very few do. The average individual thinks of profit in terms of having more money than he started with. He cannot visualize the difficulty of determining profit in the case of a large industrial corporation, nor can he visualize the form in which the profit may appear (e.g., inventory, plant improvements, and accounts receivable, as well as, or instead of cash) nor the uses to which profit may be put (e.g., expansion of productive facilities, research, employee training, rather than dividends to stockholders).

THE determination of profit is the basic and the most difficult problem of accounting. Most of the intricacies of accounting theory and

practice flow ultimately toward the objective of profit determination. The method of determining profit sounds simple—the matching of costs against revenues—but this process of matching involves both a functional allocation and a time allocation; that is, all costs of manufacture, for example, should be applied so far as possible to the goods produced, and all costs should also be related, if possible, to the fiscal period to which they apply. These allocations involve complex and difficult problems.

There is no formula for the precise determination of profits. Many people believe that income statements, because they are expressed in dollars, profess to be exact calculations of profit or loss. Actually, the calculation of profit in any given period depends in large part upon judgment. It must be based largely upon estimates; for example, an estimate of the probable useful life of buildings and machinery.

In wartime, profit determination is complicated by the introduction of a great many artificial factors deriving from government controls. In spite of the fact that there is no formula that can fairly reflect profit in all cases, in wartime the natural tendency of those in authority is to seek a formula to limit profit on war contracts.

Stigma of "War Profiteer"

UNFORTUNATELY the social stigma which attaches to the word "profit" in wartime (because it implies that somebody is enriching himself out of the war) makes it difficult for the people and some of their leaders to consider the problem objectively and renders the whole matter of profit determination subject to emotional thinking and political influences, which lead to a confusion, worse confounded. Perhaps we ought to try to talk about corporate net income instead of corporate profits, in an effort to avoid the psychological overtones of the latter expression.

A rapidly increasing number of our industrial establishments are selling all or a substantial part of their products to the government for war purposes. In order to protect both the government and the contractor in circumstances where no one could possibly foresee costs of making products which had not been made before, the cost-plus-a-fixed-fee contract has become widely prevalent. Upon agreeing to reimburse a contractor for the costs incurred in fulfilling the contract, the government must reserve the right to define costs which it will allow for this purpose. Thus we immediately have an artificial factor introduced into the calculation of income, in the form of Treasury Decision 5000, or the "Explanation of Principles for Determination of Costs under Government Contracts," published by the War and Navy Departments last May, or some other definition of cost which may be written into the contract.

Close Limitation of Costs

UNDER these definitions, the contractor will be reimbursed for costs which are considered "proper" by the government, but he may not be reimbursed for costs which he thinks are necessary to carry on his business but which do not fall within the definition. For instance, the government definitions put limitations on salaries and compensation of officers and employees, on advertising and selling expenses, on self-insurance provisions.

The government will not admit, as part of the cost, allowances for interest on invested or borrowed capital, commissions and bonuses, losses on other contracts, maintenance and depreciation on excess facilities, reserves for contingencies, income and excess profits taxes, losses on investments and bad debt losses, etc. It is conceivable, therefore, that a corporation devoting itself exclusively to providing the government with war materials might actually be unable to recover costs which it was necessary to incur to carry on its business. Its alleged profit or net income, represented by the fixed-fee provided in the contract, therefore, might actually be no net income at all.

Why War-Reserves?

THE question of so-called war reserves provides an excellent illustration of the difficulty of determining

OTHER IMPORTANT ARTICLES IN THIS ISSUE

Let Us Not Be Unprepared for Peace 7

Why Credit Men Need Their Association Now 14

The Psychology of Credit Letters 10

The Price of Price Control or The Cost of Rationing... 17

A Look at Uncle Sam's Balance Sheet 19

News About Credit Matters. 33

Overbuying in War - Time Prosperity 38

Business Thermometer 39

income under these conditions. A so-called war reserve is simply an earmarking of income or surplus to provide for a cost which a company knows it is incurring or has incurred in conjunction with production of war materials but the amount of which cannot yet be determined with exactitude. Examples of such costs are:

- (a) Accelerated depreciation of facilities as the result of intensive use, and operation by less experienced personnel;
- (b) The cost of arranging and alteration of facilities which will have to be rearranged in the post-war period;
- (c) Losses which may be sustained at the end of the war in the disposal of inventories useful only for war purposes;
- (d) Repairs and maintenance deferred as a result of pressure for war production;
- (e) Separation allowances which may be required to be paid to employees who will be discharged at the termination of the war;
- (f) Decline in the useful value of plant and equipment due to excess capacity resulting from war construction.

Costs Which Affect Future

THESE costs and losses are real. They should be met out of income. They should be matched against the revenues in the derivation of which

it is necessary to incur these costs and losses, but, because their amounts are not precisely determinable now, it is difficult to convince the authorities that provision should be made for them either as allowable costs under government contracts or as deductible expenses for tax purposes.

War taxes introduce another arbitrary and artificial element into the determination of income or profit. On the theory that no one shall enrich himself out of the war, which is a perfectly proper theory, the concept of excess profits was born. In trying to define what are excess profits, however, the only available bases appeared to be invested capital and average earnings for some period prior to the war. Naturally that period had to be selected arbitrarily. Since the circumstances surrounding the operations of individual corporations are infinite in their variety, it was inevitable that certain types of companies and certain individual companies should be unfairly taxed by the application of these arbitrary formulas. The result was the so-called relief provisions which, while they endeavored to correct injustice, must be applied sparingly and grudgingly if the whole law is not to fall apart. There is no question, therefore, that some unfortunate companies are paying excess-profits taxes on what are not excess profits at all.

Causes Leading to Renegotiation

ON the other hand, other companies, in spite of excess-profits taxes and limitations on allowable costs under cost-plus contracts, appear to be deriving unreasonably large income from war business, partly, no doubt, under fixed price contracts; and as a consequence we have section 403 of the Sixth Supplemental National Defense Appropriation Act, 1942, popularly known as the "war profits control act," providing for the Renegotiation of War Contracts within a period ending three years after the termination of the war, and recovery by the United States of any portion of a contract price which is found to have permitted excessive profits.

The new Revenue Act of 1942 changed many of the objectionable features of the original Renegotiation Act. Some of these changes are:

Authorization for the fixing of firm contract prices for a fixed period of time, which would not be

subject to subsequent renegotiation.

Authorization for renegotiation of contracts by groups, to permit balancing off of excessive profits against losses.

Authorization for making final agreements which cannot afterward be renegotiated, and limiting a contractor's liability for renegotiation to one year after the filing of a financial report covering his operations in a given fiscal year.

Limitation of renegotiation to cases in which aggregate sales to the government exceed \$100,000 a year.

Limitation of renegotiation of a particular contract to a period of one year after the close of the fiscal year in which the contract was completed.

Senator George, chairman of the Senate Financing Committee, has been a leading proponent of a fixed percentage of profit on war orders and contracts. The American Institute of Accountants has taken the position that with the change mentioned above the Renegotiation procedure as now conducted by the Army, the Navy and the Maritime Commission is preferable to the alternative of a flat percentage limitations on war profits. Senator George and some of the proponents of his fixed percentage idea have suggested 5% as an equitable basis. This the Institute feels would be a most arbitrary formula if applied to all corporations alike.

What Basis of Calculation?

A PART from the enforcement problem, the probable deterrent effect on war production of a flat profit percentage is readily apparent.

In a company engaged in a simple production operation with small invested capital and rapid turnover a profit of 5% of sales might be entirely fair.

On the other hand, a large company with heavy invested capital and fixed charges, engaged in complex operations with slow turnover, might suffer greatly under a percentage of cost formula because of the failure under the Government's cost regulations to allow many costs and losses which could not be escaped in the conduct of its war production effort.

If the allowable percentage of profit were to be based on invested capital, inequities would be equally extreme.

A Complex Matter

THE fact is that the determination of profit is a complex matter, variable as circumstances surrounding each company's activities vary, and it cannot be simplified by arbitrary formulas. It seems likely, therefore, that a system of renegotiation, subject to general rules insuring fairness to all concerned, is the only way in which the problem of each individual contractor can be met, unless the government is willing to let its contracting agents decide on prices, and leave it to taxation to recover excessive profits.

Why Not Probe Excessive Costs?

ONE other point deserves consideration. All the fuss is being made about excessive profits; very little is said about the possibility of excessive costs. In terms of dollars, profits are relatively insignificant in comparison with costs, and accountants have suggested that the government might save more money by encouraging reduction of costs by efficiency of operation than by continuing its efforts to recapture what it considers exorbitant profits. It is curious, but the very insistence on keeping down profits discourages attempts by the contractor to keep down costs.

Costs can be higher than they need to be while at the same time being entirely honest and allowable under all government rules. One manufacturer may spend more for material and labor than another who produces an identical product but has thought of a swifter way to do it and has learned how to avoid waste; yet, the second man, whose ingenuity had cut his costs, will find himself with greater profit than the first and he may be criticized rather than praised for it.

Why Reduce Costs?

THIS condition may have very unfortunate results. If businessmen are encouraged to hurry down to Washington to give back all profits over a certain minimum regarded as socially acceptable, the high cost producer will have little incentive to improve his efficiency—rather, the reverse. The result may grow to be an economic system which produces far less goods than might be produced at the same expenditure of time, mate-

rial and labor. The savings to society as a whole which are possible through curtailment of profit are only a drop in the bucket to the savings which are possible through the lowering of costs.

Suggestions Offered

EVERYTHING I have said so far boils down to this: We cannot change our economic system in the middle of the war. We depend upon that system to win the war. The life blood of the system is profit. The difficulty in the determination of profit at any given time is normally great, but in wartime, through the introduction of artificial factors stemming from arbitrary government control, it becomes infinitely greater. The result may be a restriction of the circulation of the life blood of our system which will curtail production, making the winning of the war more difficult and recovery after the war less swift.

I have no solution for this problem. I wish I had. Surely there is no easy, simple solution.

A Job for Accountants

BUT I do know this. The people who know most about the elusive and intricate characteristics of corporate profits are the accountants. They must tell the people how difficult the problems are and try to prevent efforts to solve them which, through ignorance, may impede our productive machinery. In a word, the accountants should assume leadership in this particular area of thought. They should write their Congressmen, make speeches, send letters to the press, and tell their friends that corporations must be profitable in order to live; that as long as individual incomes are taxed to the utmost no person can enrich himself from the war effort; that corporate profits may be utilized for social benefits; that the government has now at hand ample means to protect itself from exploitation; and that *experience* in administering existing provisions may soon remove some of the difficulties encountered in the first attempts. The expenditure of time and energy involved in the struggles over allowable costs, excess-profits taxation and renegotiation are tremendous. Perhaps they are inevitable in our system under war conditions, but they should certainly be minimized to the full possible extent.

Post-War Planning

Let Us Not Be Unprepared for Peace

By **ROBERT R. WASON**

President of Manning, Maxwell & Moore, Inc., Machinery Manufacturers, New York City, New York



FM It is fitting that you should consider post-War planning. It is needful that you look into the future to determine now what business may be like when the War is ended.

You are the men who must follow every heartbeat in the financial bloodstream and through your credit organizations observe the functioning of every organ of the business body. You must do this to determine financial health and soundness, to assist in making repairs to the financial body and to prescribe diets of caution and correction that the health of the business structure may be strengthened and its life lengthened.

None of us can predict tomorrow's joys or tears. All of us realize that the War is not won and that the victories of all our citizens in arms and the achievements in production of goods are limited by political offsets that history will reveal more clearly.

Let Us Not Be Unprepared

ALL of us can agree that our progress in this War would have been greater if our preparedness had been earlier and more thorough. Those who might oppose post-War planning would have us as unprepared for peace as we were for War.

Your determination that you will not be unprepared for peace in the way that the nation was unprepared for War deserves the commendation of every citizen who believes in the future of this nation and of every Association member pledged to protect the solvency of his corporation and to assist the solvency of every other corporation that may be in debt to your members.

It is not my function today to discuss the War nor to offer predictions of any kind. Predictions are as plentiful as the commentators who now make them. We all know that the crushing industrial power and productive resources of our great nation

are being organized for victory. The heart and soul of all of us is in this task. It has taken time and treasure. It will take toil and tears from all of us and blood from many of us. Out of our efforts will come victory.

Out of the war should come recognition of the productive forces of industry and business which will make victory possible.

Some Post-War Worries

THE most evident achievements of our War effort to date are in production. These achievements indicate changes in the condition of credit risks you pass on.

There are high-grade worries for which you should make post-War plans. Figure the number of months it took you to convert from peace to War. You will need the same number of months to convert from War to peace. Set up adequate reserves now to pay for limited profits or the losses that you will suffer during those months.

The solid gains of production are going to provide lower manufacturing costs in all industries where production achievements have been made. They are going to require lower manufacturing costs in all plants that compete with them. You should plan now to further modernize your equip-

ment, to improve your tooling, and to introduce better methods so that costs will sink and profits will rise.

Need for Better Engineering

THESE things should be done by you in your business. It should be suggested to those corporations of which you are or may be a creditor. The political framework within which we function treats all commerce and industry alike. Your post-War plans should be made now to save yourselves. The organization you represent is doubtless developing new engineering, new methods, and giving new expressions to old ideas. In the post-War period you will need them all. You should accelerate your engineering-development now.

Only a few years ago as credit managers you worried about the bank loans that were ahead of you on the balance sheets of your customers. Now your worry is about taxes around which all effort in commerce and industry revolves. Together you will have hundreds of companies whose earnings will sheer off at the War end but whose taxes will have to be paid on their War profits. If losses in the first post-War year exceed earnings after taxes in the last year of this War, countless corporations will be in financial trouble. Renegotiation-of-contract clauses will bother your appraisal of balance sheets until it has run its course in the post-War period.

New Peacetime Peaks

WITHIN the framework of our present economy, there is much to assist prosperity. You are aware of the extent to which bank loans have contracted, instalment credit financing has been reduced, and debt of other kinds has been paid. These actions on the part of the public provide a strong base for financial recovery in the post-War period.

Purchasing power after the War will be large. It will come from the

savings of the public in bonds of the nation, from the huge payments for wages and services during the War, in combination with the accumulated scarcity of civilian goods. The savings of deposits and bonds in the hands of the public will total many billions. Productive capacity of the nation will be at peaks never dreamed of in peacetime.

Accumulated demand for civilian goods, if the war should end in 1943, has been estimated at 2½ years of normal business. The time that the War may last beyond 1943 will add to the accrual of civilian goods unbought. Your plans should be organized to insure your full participation in this backlog of business now building.

Post-War Competition to Be Keen

IN the post-War period new intra-industry competition will tend to make big industries bigger and require small industries to be smarter. Small business will be in difficulty after the War unless the requirements of a labor relations division, a personnel department, the requirements of Government questionnaires, a tax department, and the other requirements of Government can be greatly reduced or the volume of their business expanded to absorb these new, unplanned for costs of operation.

Competitive advantages of large industries having the benefit of War contracts, Government-built facilities, and low-cost production can be offset by small industries that will modernize their equipment, bring present products up to date, develop new products, and put their total organization on a sales crusading basis.

Size isn't everything. Management is more important than bricks and mortar, modern tools, large orders, and all the conceits that size supplies.

Importance of Man-Power

YOUR post-War plans should be made in the terms of the men that you need to carry them out. Now is the best time to upgrade your personnel.

The post-War inter-industry competition will dislocate the markets of many successful pre-War manufacturers. The plastics industry will borrow business from steel, wood; non-ferrous metals, from marble, vitreous enamel, and other industries. Plastics

will create new industries and new uses. The volume it borrows from other industries will never appear as losses in the figures of any trade association confined to a single industry other than plastics.

The achievements of the chemical industry in the years following the War may have a total effect on our economy comparable to the changes brought about by the War itself. It is entirely possible that the chemical industry is only beginning its revelations of human inventiveness and ingenuity.

There will be an excess of production capacity in tools and equipment as well as bricks and mortar in all the industrial areas. Part of these excesses may be among your customers.

All Seek New Outlets

WE already know that raw rubber now in one form will be supplanted by synthetic rubber in many forms for all present uses and uses yet to be devised. After the War, rubber will borrow business from plastics. It will lend new products to agriculture and petroleum. It will set up new conceptions for rubber, develop new uses, establish new markets, create new corporations, and develop in its train a long series of by-product manufacturers different from those in the pre-War period.

Aluminum will borrow business from alloy metals, from steel, from copper, from vitreous enamel, wood, and other industries. Competition will be keen, prices will be low, the business should flow more evenly across the metal industries.

Magnesium will create a new industry and will borrow from aluminum and many of the industries that aluminum feeds on. New achievements in stainless steels and steel alloys now used in the War effort will be available for industry when the War has ended. All of us are aware that the lighter, more powerful, more accurate, longer-wearing autos of recent years were made possible by the pre-War steels and alloy metals. The new autos will obsolete most past automobile ideas.

There will be even greater accuracies in manufacturing, also greater strength with lighter weights. New alloy steels and new development of stainless steels will further convert much of the steel industry from staples to specialties and assist these

metals in borrowing from other industries where strength, flexibility, non-corrosiveness and similar features are sought.

Electronics are creating new industries within industries for the post-War period. The development in the science of radio detection has become an industry within itself under the name of Radar, as you know.

New Era in Aviation

THE post-War transport planes will make pre-War planes as obsolete as covered wagons. Freight will fly in the sky with the mail, planes will call at small cities like local trains now stop on railroads. Your post-War plans should be adjusted to these already visible changes.

The post-War period will offer the greatest opportunities the world has ever known. Every day of our lives we see things done that were impossible yesterday. The aircraft industry is living ten normal years every 365 days. That was true for 1939. It was true for 1940, for 1941, for 1942, and will be true for 1943.

The need for American goods will be increased and stimulated throughout the world. The products of our inventive genius, as always, will sell everywhere. Typewriters, cash registers, telephones, trucks, tractors—these are products in which high-priced labor can outsell cheap labor because they combine inventive genius with mass production methods. Our products which are built of high wages and less genius will sell less readily.

What Our Sons Will Learn

THIS year and next in all parts of the world 5,000,000 of our soldiers and 2,000,000 sailors will study the living standards of other nations. They will see the jungles of Latin America where the unit of wealth is a thatched hut and a machete. They will labor in South Sea Islands where wealth is ready-made on the trees and in the seas. They will live in Black Africa where the evening meal is stalked with poisoned arrows and the principal cosmetic of the women is the dung of wild animals with which they decorate their hair. They will see the old cities of Asia and Africa where dirt and filth stimulate the death rate, where camels and cattle have their freedom but women live in bondage.

They will see the new cities of the

world, in Australia, South America, and South Africa, where the good movies are American but old, where the good music is American but slow, and where every shop window offers the latest available imitation of Fifth Avenue and Main Street at home. Later many will see the great cities of Europe to learn that their own clothing is warmer, their own food is more diversified, more plentiful, and their military equipment is incomparably superior to that of both enemies and friends.

The Abundant Life

THESE 7,000,000 men will have been privileged to learn that only we in America have the more abundant life. These men may not bring back new ideas to improve our own economy, because they do not exist. They will bring back appreciation of what their forefathers under freedom have built in America. They will learn that every political critic of America has been its enemy, that our power is beyond comprehension and not yet expressed.

The labor supply after the War will be more adequate than ever before. It will be skilled in modern methods with even tempo and used to less fatigue. It will be available to all the changing requirements of peace. The task will be to organize full employment for all.

If investment can be increased and kept larger than savings, employment can be increased. Stated another way, if funds invested in the economy to make jobs total more than the money withdrawn or withheld from the economy, then jobs will be created and employment will increase. Investments will increase if and when a profit can be made.

The Place of Investment

THE early post-War years will determine whether it is intended that profits to you under the free enterprise system will be permitted. Certainly profits to the wage and salaried workers will be guaranteed. Farm labor prices also will be guaranteed.

Laws of the past ten years could not have been better designed if they were intended to prevent investment and thereby create chronic unemployment. If laws are not changed so that industry as well as labor and agriculture can make a profit then the Government will continue its ten-year

failure to make jobs while it distributes poverty among us. However, we can be positive that the American people will not willingly see our economy decline further into that statism of Mussolini and Hitler against which millions of us are fighting and because of which thousands are dying.

Our post-War years will be filled with prosperity and progress when we kill National Socialism in the United States as dead as it will be killed in Italy and in Germany in the early months ahead of us. Let's forever believe in the genius of ourselves as a people and a nation.

An Economist Looks to Peace
Discusses Some After the War Problems

AMERICA must rely on private enterprise and the profit motive to do the main job of creating and maintaining full employment after the war is over; but we should be prepared to supplement private enterprise with a program of public works and government expenditures big enough to provide needed facilities and services and take up the slack in employment.

This conclusion is reached by Stuart Chase, noted writer on economic subjects, in a special report on postwar problems which he has completed for The Twentieth Century Fund. Advance portions of the report, titled *Goals for America: A Budget of Our Needs and Resources*, were made public recently by the Fund.

Pointing to the universally acknowledged goal of full employment and full production in postwar America, Mr. Chase warns against any ill-advised attempt to overturn the economic system in order to achieve it.

The Machinery is Ready

"WE have an enormous private business machine already functioning," he says. "It would be the height of folly to tear it up by the roots. Even in the war, while most producers no longer have to think much about pushing their sales, and many important decisions have left their hands, their organizations are still in being and most of them will be so after the war.

"We should use them. Employ the profit motive as widely as possible. Encourage businessmen to do all they can, and to take responsibility wherever they can. The critical point is to have in the federal government a conning-tower control charged with the duty of plugging any gaps in the

front of full employment. "If private businessmen do not want to undertake mass housing except with government financing, then arrange the financing. If doctors are unable to take care of all sick people on the orthodox fee basis, then make it possible to help doctors take care of all sick people. If private business cannot absorb all the unemployed—and it probably cannot—keep the great public works programs going side-by-side with private business."

New Concept of Public Works

MR. CHASE urges a new and wider concept of public works. "Broadly interpreted, public works include not only physical things that are built, but also services rendered in the public interest and administered by the government."

Elaborating this latter point, Mr. Chase says: "We come to a decision of critical importance. We can put the unemployed on the dole, or at raking leaves, which would mean that we had won the war and lost the peace. Or we can challenge our citizens with the greatest, most splendid, most uplifting series of public works which any civilization ever dreamed of.

"I have touched on them—whole cities to be rebuilt and decentralized; mighty watersheds to be tamed, like that of the Tennessee; the forests of America to be put on a perpetual yield basis; the grasslands to be restored; the entire transport system to be integrated; civic centers, libraries, museums, research laboratories, universities, public buildings, to reflect an aspiring culture in a new architecture, and reflect it too in sculpture, painting, music, the theatre.

"Room can be found in such project
(Continued on page 23)

The Psychology of Credit Letters

Rejecting An Account

By HELEN M. SOMMERS

Credit Manager, Trojan Hosiery Mills, Indianapolis

TO say "no" graciously is indeed a fine art. It requires kindness—not the counterfeit variety that secretly feels a bit superior even while the words, "I'm sorry," are spoken, but the genuine kind that recognizes the essential equality of human beings, and takes care to preserve a man's feeling of importance even while his request is being refused.

Haven't you read letters that seemed to take an unholy joy in saying "no" to a customer's request? Some individuals cannot exercise even a little authority without feeling superior.

A customer whose credit is not acceptable is still a potential cash account; that failing, he could be a possible customer at some time in the future when his situation improves; but even barring those two possibilities, and if he were never in the market again, we must still consider his sphere of influence among his associates and remember that we can never afford to create disgruntled, inimical attitudes when we reject accounts.

Be Careful of His Pride

A FRANK explanation of your reasons for rejection should be given. Here the customer's pride is in greater danger of injury than in any other situation with which the credit man has to deal. One whose credit is not acceptable has failed to measure up to the standards which the majority of people meet. This condition is strongly conducive to a feeling of inferiority and injury.

You must assist him to maintain his self-esteem:

- By building up his importance in other directions.
- By merging him in a group.
- By attributing his situation to causes outside himself.

Appeal to his self-interest, and resell him if you suggest cash arrangements.

Establish His Importance in Other Directions

WHEN you explain your reasons for rejecting an account, you naturally must mention slow payments or unfavorable features of his financial situation. Soften the effect of your critical remarks by providing other channels by which your customer may confirm his self-esteem.

Mention Favorable Factors in His Situation First.

The mild compliments given in this way put him in a mood to receive critical remarks with better grace. You can always find something good to mention. Show Confidence in His Ability to Improve His Situation. Otherwise, he will interpret your decision as a direct reflection on his ability.

Show that His Integrity Is Unquestioned.

A man is far more sensitive about his honor than he is about his ability.

Examples That Establish His Importance in Other Directions

These mention favorable factors of his situation first:

I note that you have been in business there for many years. *

You are securing a very good turnover, but your working capital is not sufficient to take care of an emergency such as a sudden slump in business. *

You have a substantial investment, but since most of it is tied up in non-current assets, your working capital is, in our opinion, inadequate for the volume of business which you are securing. *

You have a good volume, but slow receivables have restricted the flow of funds and are causing slowness with your own creditors. *

These show confidence in his ability:

After you improve the situation, as we feel sure you will, etc. *

No doubt you are already working to *bring matters under better control*. When you do, *

We are fully *satisfied as to your ability and industry*, but at least a small reserve capital should be available against those unexpected events which develop in the first year of business. *

With the addition of \$—— working capital, you would be better able to utilize to best advantage the *ability and experience which you so apparently possess*. *

With the *experience and ability which you have in this line*, it seem to me that your only handicap is this restricted working capital.

These confirm his integrity:

Our decision is in no way a reflection on your good intentions. *

We are not in any way questioning your good intentions.

We know that you have *every intention of taking care of your accounts properly*, but we must look frankly at certain unfavorable trends in your financial situation.

More Ways to Establish His Importance

Confirm his importance as a customer:

It is good to forestall the natural comment, "Apparently they don't want my business."

Leave room for his knowledge and opinions:

Too many unqualified and absolute statements irritate the customer, and cause antagonism. On the other hand, the inference that the customer has knowledge, intelligence, and opinions of his own, and is capable of reasoning the matter out without your help builds up his sense of importance, and causes him to entertain your opinions with more tolerance.

More Examples That Establish His Importance in Other Directions

These confirm his importance as a customer:

We certainly hope that we can do business with you a little later. *

We do appreciate the opportunity you have given us to work with you, and *hope that we may be able to do so at a future date.* *

Even though we are unable to offer you credit accommodations just now, we hope that we may be able to get together in the future, for we *appreciate your business.* *

We hope that this decision will not close the door to future transactions, for *we should like to do business with you* when we can work out suitable credit arrangements.

These leave room for his knowledge and opinions:

As we see it, *

As we analyze the situation, *

In our experience in observing the progress of many retail businesses, we feel that . . . *

The way we look at it, *

Of course, we may be wrong in our analysis. *

You, of course, understand this topheavy relationship *as well as we.* *

You, of course, *understand your own business better than we do*, but from the point of view of an outsider, we feel that . . . *

Naturally *you are aware of this situation yourself*, and are no doubt taking steps to correct it.

Save the Customer's Pride in Other Ways

Merge him in a group:

It is a common human foible to take comfort in

the thought that we are not alone in our weaknesses—that other people share them. By this means we bring ourselves up to the common level, and nullify the feeling of inferiority.

Attribute his difficulty to circumstances outside himself:

External conditions usually do, in some measure, enter into every unfavorable credit picture. The extent to which the customer lacked the ability to cope with them is beside the point here. To offer them as a reason for a topheavy situation or slow payments softens the rejection of the account. (See more complete discussion under this heading in the January instalment on Questioning an Established Account that is Slipping.)

Show that your analysis is impersonal:

"Business is business" places the entire question on a more general plane and takes away the personal sting.

Examples That Save Pride in Other Ways

These merge him in a group:

We do not mention this slowness as a criticism. *Any merchant* may at some time find himself unable to meet his bills with his customary promptness. *

Naturally *anyone is likely to* get into a situation like this temporarily, and we are therefore not offering this analysis in the spirit of criticism.

These attribute his difficulty to circumstances outside himself:

We do not make these comments in any spirit of criticism; for we realize that the situation is probably due to *some unexpected circumstance*, which you are taking steps to adjust. *

due to circumstances beyond your control *

We know that *recent business conditions* in your locality have been unfavorable. *

Possibly *some local situation* has affected your business. *

The strike which lasted so long there no doubt *seriously affected retail trade* in your town. *

We do not know *what condition has caused* this situation, but you no doubt are taking steps to correct it. *

Whatever the situation *that may have caused the difficulty*,

These show that the analysis is impersonal:

We must, of course, analyze the facts from a *purely business point of view.* *

Looking at the matter from a *purely business angle*, as we must do, *

It is just a *matter of good business principle* that we look the facts squarely in the face.

A credit man has to take certain important facts into consideration from a *purely analytical viewpoint*.

Cash Terms

THE whole problem of suggesting C.O.D. or cash arrangements is one requiring good judgment.

In some cases the suggestion has the effect of adding insult to injury, after credit has been rejected. Among such cases is the long established merchant who has been slipping without realizing it too seriously, and who has not been asked to accept goods C.O.D. since he began business.

A new enterprise which has not yet established its credit standing usually will not object, although a cash in advance arrangement may be preferred to C.O.D. terms.

Very large houses may consent to make a cash deposit against shipments, perhaps on a revolving basis, but would not risk loss of prestige by having C.O.D. shipments delivered to their receiving departments. Sight draft shipments can, of course, be managed with dignity and facility through the banks.

Trade reports are in some cases a guide to the credit man in deciding whether to suggest cash arrangements. If one or two creditors report selling for cash, the sailing is smooth, but care must be taken to distinguish between the creditor who reports that he has placed the account on a cash basis, and one who is actually selling on that arrangement.

"C.O.D." Hits Like a Club

THE letters, *C.O.D.* stand out on a page in an irritating way. The reader sees them before he sees anything else in the letter, and the effect of all diplomacy in the letter is completely voided. It is better to suggest "some cash arrangement that suits your convenience."

A strong appeal to self-interest is necessary when suggesting any cash arrangement. You cannot expect your customer to buy from you for cash if he feels that he has nothing to gain by doing so, and if he feels that he can secure merchandise that is just as good from a source of supply that offers him open account facilities.

To appeal to self-interest:

Show that the arrangement will benefit him.

Reassure him that it is subject to revision.

Show that relations with your house will benefit him.

Resell the goods and the house.

Appeals to Self-Interest When Suggesting Cash Terms

These show that the arrangement will benefit him:

You can be sure of *prompt delivery*.

Our routine for handling cash orders is so simple and efficient that you can be sure of *quick deliveries*.

Your orders will be put through our mill on this basis with the utmost *dispatch*.

Cash customers are entitled to the *best consideration*, and you may be sure that you will get it.

You may deduct — per cent for cash. If you want to compare this with interest rates, — per cent

discount in lieu of 30-day terms figures up to — per cent per annum! Some merchants maintain that the *bulk of their profits is in discounts*.

The discount you earn for cash payments, when accumulated over a period of a year, adds substantially to your *profit showing*.

These imply that the arrangement can be revised:

As a temporary measure,

Until you have an opportunity to become better established,

Until you have operated a few months,

Until conditions improve,

Until your situation improves,

For the time being,

As a step toward opening the way for the future relations,

Naturally this need not be a permanent arrangement.

Naturally we realize that you would want us to *arrange credit facilities for you as early as possible*, and we assure you that we will do so as soon as conditions warrant.

We will go into your situation again in six months, with a view to *establishing credit facilities for you*.

This arrangement, of course, is only temporary.

A tentative plan, to help us get started.

Just as soon as we can *arrange credit facilities for you*, we will do so.

These show that relations with your house will benefit him:

We are genuinely interested in your success.

You may be sure of our *close cooperation*.

We have your best interests in mind, and will see that you get *good service*.

As a step toward establishing a relationship that will, we feel sure, develop into *something mutually beneficial*.

Analysis of Practical Paragraphs Below

- Par. 1 Appeals to self-interest; places burden of possible difficulties upon external circumstances.
- Par. 2 Establishes his importance, and ability; places burden of possible difficulties upon external circumstances; appeals to self-interest.
- Par. 3 Attributes his difficulties to outward circumstances; shows confidence in his ability.
- Par. 4 Merges him in a group; shows confidence in his ability; gives the impersonal "policy" treatment; shows that the decision is subject to revision; appeals to self-interest on cash arrangement.
- Par. 5 Shows that the decision is subject to revision; shows confidence in his ability to improve the situation.

Practical Paragraphs

1. We do not believe that *your interests* or ours would be *amply protected* if we entered into credit arrangements while you are handicapped by such a small capital. It would be better to secure additional funds now in order to insure yourself against *contingencies that always arise* in the first year of operations.
2. We know that you are entering this enterprise *with sincerity of purpose*, and it therefore is *not your*

side of the picture which we are questioning at all. But *unexpected things* are constantly coming up in a new business, and we feel that you should *insure yourself against them* by securing additional capital. We would gladly open an account for you then.

3. Possibly *some local situation* has affected your business adversely. We are *confident that you are taking steps* to bring this situation under better control.
4. Naturally it is easy for a situation like this to develop in *any business*, and no doubt *you are already taking steps to correct it*. While *our policy* does not permit credit arrangements where indebtedness is relatively so heavy, we should like to follow your progress and *get in touch with you in another six months*. In the meantime, if you would care to accept shipments on a cash arrangement, we can *offer you a discount of — per cent*.
5. This would be only a *temporary arrangement* so that we may start doing business together. No doubt *you are already taking steps to correct the situation* we have outlined. We shall be glad to *follow your progress* and *open an account for you* just as soon as your affairs are in better balance.

Analysis of Practical Paragraphs Below

- Par. 6 Shows confidence in his ability; shows friendliness; shows that the decision is subject to revision; implies that his business is wanted.
- Par. 7 Begins with favorable comment first; places the burden of his difficulties on someone else; shows confidence of his ability and intelligence.
- Par. 8 Gives the impersonal "policy" treatment; shows that the decision is subject to revision; shows that his business is wanted.
- Par. 9 Implies that the arrangement can be revised later; appeals to self-interest.
- Par. 10 Shows that the arrangement can be revised; sells the house and the goods.

More Practical Paragraphs

6. No doubt *you are taking steps* to reduce your inventory and bring your affairs into line. Let us keep this matter open for six months, and review your situation at that time. *Perhaps we can open an account* for you then. We certainly *want to work with you*.
7. You are *securing a good volume*, but when we compare this with your receivables, it is obvious that *your customers are not paying you* as promptly as they should. No doubt *you have already recognized* the need for bringing them into line so that you can make your own payments more promptly.
8. *Our policy* does not provide for opening accounts where slowness is reported to this extent. We should, however, like to keep the matter open and *review your situation in six months*, for we are *anxious to do business with you*.
9. It is our suggestion that you work with us *temporarily* on a cash basis, and then let us review your situation again in *six months*. Naturally *we want to arrange credit accommodations* for you as soon as conditions make it possible.

10. Even though this arrangement is not as convenient as you would like, we shall *see to it that credit accommodations are provided* for you just as soon as conditions make it possible. In the meantime, you are doing business with a *reliable house* that has *your best interests* in mind, and whose merchandise will *give your customers excellent satisfaction*.

Analysis of Letter Below

- Par. 1 Acknowledges the order and resells the house.
- Par. 2 Introduces the discussion; appeals to the customer's ego.
- Par. 3 Comments upon a good factor first. Places the burden of his difficulties on outward circumstances.
- Par. 4 Gives him credit for intelligence of his own; shows confidence in his ability; gives the impersonal "policy" treatment; shows that the decision is open to revision.
- Par. 5 Sells the benefits of cash arrangements.
- Par. 6 Re-creates the desire for the goods.

Letter to a New Customer Reported Slow and Topheavy, When Cash Terms Are Proposed

Gentlemen:

Thank you for your order and for the opportunity to demonstrate our service and the quality of our merchandise.

The usual credit investigation preliminary to opening a new account has brought us a Dun and Bradstreet report giving us the interesting history of your business, and details of your present financial situation.

You are securing a very good volume, but when we compare it with your receivables, it is apparent that your customers are not cooperating with you properly in paying their bills. The money you have tied up in amounts overdue from your customers could be used to reduce your own indebtedness, which we feel is rather heavy, and to eliminate the reports of slowness up to 90 and 120 days which are coming from your creditors.

It is not in the spirit of criticism that we mention this, for no doubt you are already taking steps to bring this situation under control. Our policy, however, does not provide for credit accommodations where payments are slow to this extent, and we therefore regret that we cannot ship your order on open account. We should, however, like to review your situation again in six months, and take up the matter of credit with you then.

In the meantime, may we suggest that you permit us to ship your requirements on a cash basis. You can earn a discount of — per cent, which certainly gives you a much more substantial return than current interest rates.

If you will let us have your reply promptly, we can still get the goods to you for Saturday's business. Your customers will certainly like the sheer beauty of this style, and you can depend upon its giving good service. Yours very truly,

(Continued on Page 26)

Yesterday, Today and Tomorrow

Some Pointed Reasons Why Credit Men Need Their Association Now

CF As a staunch believer in my Association, in your Association, and in the National Association, I have some positive convictions as to the definite part we, as credit executives, have taken and must continue to take in the business life of this great country of ours.

When I began to get my notes together I debated for a few minutes as to whether or not I should put that "Yesterday" portion in the subject but the more I thought about it the more I was convinced that it belonged there. But you say, "You can't go back and think about yesterday. The problems of today and tomorrow are so urgent and tremendous that we must concentrate on them if we expect to get this job done." And my reply to you is, "Listen, my friend, would you have the story of George Washington and the battle of Bunker Hill and the siege of Yorktown, and Valley Forge eliminated from the memories of our soldiers and sailors, our marines and aviation corps? Would you order from the reading rooms of these same camps the story of Abe Lincoln and that immortal speech at Gettysburg? Would you have the boys in the armed forces of our country today forget the glorious deeds of their fathers at Chateau-Thierry and Meuse-Argonne?"

I am not ashamed to admit that I am old fashioned enough to believe that when you have a real hard, serious job ahead of you it is a pretty good idea to sit down and go over some of the things which happened yesterday so as to get the proper perspective, vision, and inspiration for the task that lies ahead. And for that reason I am going to ask you to go over with me just a few of the things that the credit profession, under the leadership of this Credit Association of ours, has accomplished since this organization was formed some forty odd years ago.

By E. WILLIAM LANE
*Treasurer, American Screw Co.,
Providence, R. I.*



"Guarding the Nation's Profits"

IF my memory serves me right there were two definite objectives when this Association was organized and these were "To guard the nation's profit" and "Self-improvement of the credit manager," and while other important reasons have crept into the picture these are still the fundamental reasons why you and I are members of this Association.

First, let us discuss "Guarding the Nation's Profits," and I am going to hit just the high spots in discussing each of these items. Assuming the responsibility of guarding the nation's profits was quite an assignment for any one to take on, but the National Association nearly two decades ago said to your Association and my Association and every Association in the country that some one had to step in and stop this critical leak in the business reservoir.

The old professional business crook had developed quite a racket in those

days. He would carefully plan and develop what, from every outside appearance, would be a healthy, thriving business and then you woke up some morning to find that the bird had flown and we had on our hands a receivable that was not worth the paper on which it was written. This condition was altogether too prevalent a few years back but thanks to the determined efforts of our Association this type of business has practically disappeared.

Battle Against Credit Fraud

DO you remember what it cost to do this job? Through our Associations all over the country we raised over One Million dollars from the business concerns in our respective communities. Now listen to the results. In a comparatively short period of years we have secured some seventeen hundred convictions and over \$2,000,000 has been returned to the creditors. I say in all sincerity that if we had nothing else to talk about but this one accomplishment we would have a right to be proud of being members of an Association that had rendered such an outstanding service to our country.

By this act we served notice on the professional business crook that we had elected ourselves as a powerful police force to protect our members from illegal, unjust, and shady practices and no quarter would be asked or given in exposing and dealing properly with them. We are always willing and ready to assist the honest, well meaning debtor but we shall continue to wage an unrelenting war on all others.

There is one other outstanding accomplishment of our Association about which I wish to speak and that is our contribution to legislation to see that every dollar that is due the debtor in cases of bankruptcy, receiverships, and liquidation is paid to him. We certainly have a right to be proud

of the contributions of this Association in the part it has played in the enactment of such laws as the Federal Reserve Act, National Bankruptcy Act, Bulk Sales Laws, Fictitious Names Acts, and others.

All of these have been a tremendous help in preventing unfair practices from undermining the credit structure of this country and our particular communities. These are only a part of the laws sponsored or supported by this Association, all of which have combined to materially strengthen our banking structure, standardize and improve insolvency proceedings, and to preserve assets formerly held in jeopardy and to close the avenue once open to commercial fraud.

Equitable Legislation

MAXIMUM profit through proper credit procedure depends upon sound legislation which safeguards our sales and credit transactions. From the receipt of the order to final disposition and payment, we must see that the rules of the game are strictly followed and we have taken a very definite part in seeing that these rules are fair to both the debtor and the creditor. I can think of no greater service rendered to the business life of this nation than the part which our Association has taken in both the preparation and passage of this very important legislation.

These are just two of the more important contributions. There are many others some of which have been of particular value to certain industries, but the elimination of the business crook and the part which we have played in the enactment of outstanding, essential business legislation are truly monuments to the men who carried on "Yesterday" and from their accomplishments and their unselfish devotion to these lofty ideals we surely can draw inspiration for the job which lies before us today and tomorrow.

Self-Improvement

I WANT to speak briefly of the second major objective of our Association, "Self-improvement of the credit manager." I think we will all agree that improvement in any line of work is something which is up to each individual. We are all reasonably intelligent men. If we were not we would not occupy the positions we

What Readers Say— about "The Psychology of Credit Letters"

"It serves as a refresher course to those of us who have had years of experience in writing credit letters. We have been called upon to assume new responsibilities during these times and because of limitations of time, we are very apt to become blunt and clumsy in approaching the problems of those who place their business with us."

R. C. KNAUP, Bemis Bros. Bag Co.

hold today. The credit profession has come a long way in the last few years. Your job and mine as a credit executive is now considered one of major responsibility.

There was a time when we might have been considered an unnecessary overhead expense, but today the credit executive stands shoulder to shoulder with the production manager and the sales manager. As I often say to some of my associates in the production and sales departments, you may have the factory running full steam ahead, producing its maximum output at the proper cost, and you may be selling every bit of that production at the right price, but you haven't made a penny until I have the cash in the bank.

Our Association has made a definite contribution in placing the credit man just where he belongs but it is up to you and to me to see that we maintain that place. How? Study of books and other methods of research has its proper place in this scheme of progress, but I know of no greater way for you and me to broaden our knowledge of matters pertaining to credit than by attending group meetings, and even more important still by your active participation in the meetings of our own local Association. We must have frequent intimate contacts with other credit executives, frequent opportunity to meet and converse with them, and learn from them. This profession of ours has not been raised to its present high level by each individual keeping to himself, but by rubbing elbows and talking over our mutual problems with our fellow associates in the credit field.

Maintain Membership

IF I were asked to leave with you one suggestion as to the improvement of the credit executive it would be to maintain membership in your

local Association, to seize and develop the opportunities which present themselves by knowing what the other fellow is doing, what his problems are, and what progress he has made in solving these problems. Out of these experiences let us try to help the younger group of credit men who are just starting out in this field of business and who are anxious to know something about this gigantic credit structure which has such an important place in the very life blood of business today.

All of these accomplishments and opportunities have been brought about by the leaders of yesterday. I am not trying to take away from the National Association any credit for the part which it has played in this development because we all know that it has made a tremendous contribution but I do feel that the actual work and the real job has been done by the consolidated efforts of the leaders of the local Associations from the Atlantic to the Pacific, from the Gulf of Mexico to the Canadian border, all working together over a long period of years to develop this Credit Association into one of the leading business organizations of this country; an organization that fills a very definite need in our business structure, that has done a splendid job in the past, is still doing a fine piece of work, and which will be called upon tomorrow to do even greater things.

To the past presidents of these local Associations we are deeply indebted for a grand record of accomplishments. You men of yesterday have handed on to us of today and tomorrow an enviable record of unselfish devotion to a cause which has been truly American by surrounding the granting of credit with such safeguards that the business crook is almost entirely eliminated; you have been the motivating influence which has placed upon the statute books of

this country laws which are equally fair to the debtor and creditor, laws which see that the debtor recovers every penny that can be salvaged from an embarrassed creditor, yet the same law gives every opportunity to the embarrassed creditor to reestablish himself if there is a reasonable chance that such thing can be accomplished.

You have given us a chain of Adjustment Bureaus that represent the finest collection service in the country. You have given us the greatest medium of credit information that is available—Credit Interchange. These and many other things you have given us of the present and future generation and I am taking this opportunity to say to you past presidents everywhere, that we shall be eternally grateful to you for your unselfish devotion to a cause which has made a tremendous contribution to the economic life of this grand country of ours.

Credit's Future

SO much for yesterday. Now let us talk about today and tomorrow as I feel that I must discuss them jointly. There seems to be a tendency on the part of some members to feel that there is no need for the time being of continuing their membership in our Association and its affiliated branches. First, I wish to quote from a pamphlet entitled "Stand By for Tomorrow's Test" issued recently over the signature of Mr. Heimann.

"In our own field of credit, here and there, I am sorry to say that I have found a few of our members who are drifting, unconsciously I am sure, into a sense of false security. They seem to question the need of an efficient adjustment bureau personnel because liquidations are currently few and far between."

I would like to add to this that I am fearful that there is a drifting into the withdrawing of membership in our local Associations because they say they are too busy to attend the meetings or that there is no particular need for these contacts for the present. Please pardon me if I sound a little bitter toward those who take such an attitude. It is just like turning on an old friend who has been extremely kind and useful to you for a long time and then suddenly you think you can get along without him and you cast him aside with the idea

that you will pick him up again when he can do you some good. What a selfish and short-sighted attitude to take. Possibly you do not really understand the situation as it appears today.

"Stand-By"

THERE is a real need of continuing our contacts with all of the branches of our Association. I think we have recognized long ago that Uncle Sam is our number one customer, not only our number one customer but our one and only customer. Take him away today and what have we got, not a thing, and the longer this war goes on the greater is going to be his grip upon the business life of this country. We realize that this is necessary if we are going to win this war and get it over just as soon as possible. I mention this because it means that under these conditions there may be, during the next few months, a high mortality rate in all lines of business not geared to handle war requirements. Here is a credit hazard that is with us right at the present moment.

About two weeks ago I heard a government representative on the radio make the rather startling statement, that with the government urging and directing direct contacts with the manufacturers it was possible that some two million jobbers would be eliminated from business. To further substantiate this statement let me tell you of an incident which happened in Washington just a short while ago. In the group were representatives of the government, hardware manufacturers, and hardware jobbers. As the discussion progressed it was very evident to the representative of the jobbers that he was not being considered in the picture at all. Finally in desperation he asked the government representative where he, the hardware jobber, came into the program. The government representative turned around and taking a vase of flowers from a table nearby walked over to the hardware jobber and said, "My brother, it is just flowers for you."

We Must Guard Our Jobbers

ALL the complimentary adjectives I might use would not properly convey to this splendid group of merchants, the jobbers, our appreciation for the marvelous job which they have done for the manufacturer over a

long period of years and in planning for tomorrow we must keep in mind that these old friends are coming back to re-establish themselves so that they may again occupy their proper place in the business life of this country. We are going to need them just as much as they are going to need us and it is up to the credit men's Associations in their respective communities to see that these temporary suspensions are handled with the utmost care and consideration. Here is a wonderful opportunity for our Association to render a real service today and tomorrow to these thousands of jobbers, and I for one am going to keep active my membership in my Association so that I may have a part tomorrow in serving these friends of yesterday.

While some of these good old friends are being temporarily detoured, what about some of these industries that have become quite a factor in your business and mine. I place as number one on my list the aircraft industry. This industry I am confident is here to stay for I think we will all agree that even when this war is over there is still going to be quite a demand for planes of every sort, but some of these smaller plants will not be able to keep apace with the larger companies who will have streamlined their organizations and it will be a case of the survival of the fittest, just as it was in the automobile industry.

The After-the-War Credit Job

JUST as long as this war lasts there is bound to be a continued expansion in the aircraft production facilities, but I am confident that when it is all over there is going to be a substantial shrinkage in the number of aircraft manufacturers and allied concerns. Because it is a major war industry it will become a major credit risk when the present unusual demand has passed, and we must keep constantly alert to the possibility that this type of an account might present some serious financial losses when our war program is over.

Then there is the shipbuilding industry, the manufacturer of tanks, the production of shells and shell boxes, the tremendous increase in the output of productive machinery to meet the demands of these various plants. These are just a few of the many lines we might discuss. What I

(Continued on page 22)

The Price of Price Control

A Discussion of the Costs of Rationing

CF War is frequently characterized as an insatiable monster. It exacts everything from everybody.

It is a unique activity in that its cost is never counted and its demands are never denied. The cold fact is that we will fight this war without regard to cost and we will win it no matter what it costs. The lessons in terms of economic values and procedures will for the most part be negative.

Of necessity we will submit to restrictions in which we do not believe; we will pay taxes far beyond our capacity; we will save and sacrifice to the point of heroism; and we will temporarily countenance radical interference with our rights and liberties. But there is no reason why the negative lessons should not be well learned. Therefore, a second by-product of the war may be this wholesale demonstration of the way we do not want to live when peace is declared.

Who Cares About Diamonds?

THE control of prices is, or should be, aimed primarily toward equalizing as far as possible the sacrifices of war. This does not mean that there can be a regime in which no one will suffer more than another, either spiritually or materially. Many homes will endure the loss of loved ones while many others will escape. Some men will lose their jobs while others will enjoy full employment and the highest pay in history.

Equalizing the sacrifices means the intention to stabilize, insofar as it can be done, the price of the minimum essentials in our standard of living: food, shelter, and clothing. Obviously, nobody cares if the price of diamonds goes up a thousand per cent and no one is greatly concerned if the existing supply of Rolls Royce automobiles should sell at \$20,000 per car.

The price of controlling prices is of two sorts: First, the actual cost of administering an artificial price re-

By **DR. PAUL F. CADMAN**
Economist, American Bankers Association



gime; and secondly, the more abstract cost in terms of interference with established procedures and the temporary abrogation of some of our more fundamental social, economic, and political rights.

The O.P.A. asked Congress for more than a hundred million dollars to cover a single year's budget. Although the sum was not granted, the Office now employs approximately 30,000 people and whatever money it needs will ultimately be provided. It may be presumed that these 30,000 people have been withdrawn from the field of production. The cost of paper, printing, and ink, essential to such an effort, will probably reach a staggering total.

Cost of Questionnaires

THE preparation of questionnaires and reports will consume thousands upon thousands of hours of time that might be spent on war work. Such costs could be analyzed in detail if the task were worth the effort, but it is not. We will pay whatever we must pay for the administration of the regulatory system in both its direct and indirect costs.

But the intangible costs of price control are worthy of study. In general, they are two: Prices are controlled through fiscal policies; or through legislated price fixing, rationing, and subsidies. Actually, the two must go together if the cooperation of the public is to be assured.

For example, the ideal position as viewed from the standpoint of the Treasury, would be a universal rationing of consumers' goods to such an extent that the voluntary purchase of war bonds would be the only remaining outlet for money. On the other hand, the ideal position from the point of view of the O.P.A. would be to have the Treasury limit all incomes to the value of the available supply of consumers' goods.

Rationing and Taxes

IN other words, the Treasury might be supposed to say: "Ration everything, and the consumers will have nothing to do with their excess funds except lend them to the Treasury." The O.P.A. may be presumed to reply: "Let the Treasury circumscribe everybody's income to such an extent that nobody will have more than a limited sum to spend for consumers' goods."

Some compromise between these two extremes is now being incorporated into the stabilization program. The importance of this compromise is essentially this: No legislated program of price control, no matter how rigidly enforced, can actually prevent inflation. It can delay it and in some respects restrict it, but the ultimate control of inflation is in the hands of the consumers themselves for voluntary action.

Weakness of Fiscal Control

THE weakness of fiscal controls is that the Treasury may succeed in limiting the size of an individual's income by taxation and/or forced saving, but it cannot control the total supply of spendable cash. There is

nothing to prevent people from spending their *capital* if they wish to do so. The faintest shadow of a suggestion that life insurance equities or savings bank deposits, or even commercial bank deposits, might be frozen, would lead to hoarding on an unprecedented scale. Furthermore, there is a limit to taxation and if it were possible to raise taxes high enough to absorb all of the excess purchasing power, the very process would itself tend to raise prices, would discourage both effort and accumulation, and incidentally would be political suicide for any party that tried it.

Also under the heading, fiscal policy, there is the question of the outlets for cash which should not be restricted. For example, this is a time when people should keep up their life insurance, protect their health, enjoy a moderate amount of entertainment for the sake of good morale, and, last but not least, this is an ideal time for the liquidation of debt. If the rank and file of the American people would now use their excess purchasing power to get out of debt, they would contribute as much if not more to post-war recovery than almost any other factor.

Hard to Control Prices

IT must be patent that fiscal policy alone cannot adequately control prices. Therefore, some direct action is indicated. On this side of the picture, the crudest device is simply to pass a law fixing the price of each and every commodity and service. This sounds easy, but it is in fact too simple to be either sane or safe. To begin with, it would not accomplish the equitable distribution of the limited supply of goods. Under this system the person with the largest amount of money will buy all the goods he wishes provided he pays the stipulated price. The public will have to stand in line for the available supply and the dealers will allot their stocks to their friends for reciprocal favors and benefits. So price fixing alone cannot accomplish the desired ends. Therefore, rationing comes into the picture.

There are so many varieties of rationing that summary is both difficult and dangerous. For us, the certificate or coupon is already familiar and therefore may be the easiest to analyze. Here again the equitable bal-

ance is scarcely achieved, for there will be some persons with such low purchasing power that they cannot buy the goods for which they hold coupons.

Valueless Without Cash

OF what does it avail John Doe if he is given coupons for five pounds of sugar a month and at the same time he has so little to spend, that sugar is completely eliminated from his diet?

Among the many suggestions offered to get at this situation is a proposal to allow each consumer to spend a minimum number of dollars, after which a progressive tax would be levied upon all disbursements in excess of the minimum. This would mean that if the very rich spent enough, either out of income or capital, the tax might ultimately absorb all they possess. The illustration is far-fetched, but nonetheless admissible.

In England the coupon system has been supplemented by points, and the consumer is allotted so many points for clothes, and so many for other essentials. Each article purchased requires the surrender of a certain number of points. Thus the commodities are priced both in points and in shillings and the consumer is permitted some degree of choice. If he prefers to have two pairs of shoes and no shirt, that is considered to be his business so long as he does not attempt to spend more points than have been allotted to him.

Then there is the question of quality. Conceivably a consumer might be allowed to spend a dollar a week for meat. He would then be confronted with the question of whether to buy one filet steak or five pounds of lamb stew. If the distribution of nourishing food on an equalitarian basis is attempted, there will be some nice juggling to find out who gets the porterhouse and who gets the chuck.

A Share for Everyone

BY this time it ought to be clear that equalitarian distribution is a relative term and that what we must aim to do is not to give everybody an exact quantity of everything needful, whether they want it or not, but to attempt to keep prices at a point where everyone who has anything to

spend may get a share, at least of the available supply.

But we have thus far been speaking only about the consumer. Far more difficult is the situation of the suppliers and distributors of the goods in question. Unhappily their costs of producing and distributing goods vary widely. Furthermore, the costs of imported goods are often radically above and below the costs of domestic goods. The exporting country has something to say about prices at which it will produce and which, of things we very much need, it will be willing to export.

Already we have seen that subsidies are necessary to absorb increased transportation costs on gasoline, fuel oil, and coal to the New England states, if these commodities are to be sold to the consumer at fixed prices. Obviously, the government cannot expect suppliers and distributors to sell at a loss.

Manufacturers and retailers are often squeezed between the fixed price and the rising cost of production. This is the key to the whole question of stabilizing wages.

What the Farmers Faced

THERE never would have been any discussion of farm prices in this emergency had not the farmers seen themselves threatened with a fixed price for their products and a steadily increasing wage to the labor which they must employ. Therefore, the squeeze calls for subsidy particularly in favor of the high-cost producer whose goods must be brought to the market in times like these. Nevertheless, subsidies present this unfortunate aspect—that they add to the total of buying power. In other words, the recipients of the subsidies have something more to spend. This has led to the insistent suggestion that subsidies be avoided and prices be permitted to rise to the point where the increase will discourage the demand for goods.

Price controlling can easily slip into a vicious circle as follows: Price control will not insure equitable distribution of goods, so we must employ rationing and fiscal measures. Fiscal measures can neither be applied, nor will they be accepted by the public to the extent necessary to prevent inflation, so we must use price control and rationing. Rationing leaves increased purchasing power

(Continued on page 23)

Debt In Our National Economy

A Financial Editor Looks at Uncle Sam's Balance Sheet

By **GEORGE R. ERICSON**
*Editor of the Financial Pages of The
Christian Science Monitor*

CHow nice it would be if I could dispose of this subject of debt and its significance in the summary fashion of Cal Coolidge.

You remember he said, in reply to a question, that the sermon that Sunday morning was about sin. He was asked: "What did the preacher say?" Coolidge answered: "He was against it." In like manner I might be tempted to dispose of debt by saying: "Debt is bad for men and governments. Keep away from it."

But that pronouncement lacks content. So I shall try instead to bring to your attention some facts and comment with which to clean off the dust that accumulates so quickly on the windows through which we see our economic relationships, more especially about public debt.

Debt and credit are Siamese twins; the one cannot exist without the other. The creation of debt by the extension of credit is presumed to be of service to society because it transfers title to property or services to a borrower who feels he can put them to more productive or satisfactory use. Without the debt, the individual or family remains without the satisfaction sought, and this could be regarded as adversely affecting the standard of living.

The 1929 Pyramids

THERE are, of course, short-term credits which may be disastrous, such as the callable loans accorded brokers by banks in the 1929-1930 crash. The brokers in turn loaned the speculators and finally this over-extended credit edifice toppled because nearly everyone sought liquidity at the same time. Credit or belief in someone's financial soundness vanishes when fear calls for cash on the barrel-head. We'll probably not have that kind of a credit debacle this generation, but we are rapidly building up to something else.

What about the debts of State and local governments? Evans Clark in

his book, "Internal Debt of the United States," put their aggregate debt in 1914 at \$4,920,000,000. By 1922, the total had about doubled and in the succeeding 10 years, instead of paying off any real portion of these debts, the States and municipalities had, shall we say, lightheartedly pushed the aggregate up to \$19 billion and they are over \$20 billion today. Will these debts be paid off? It is to be doubted. The tremendous war burden makes any substantial reduction dubious. This generation does not care to make the financial readjustment, and the problem will remain for succeeding boards of aldermen and legislatures. One can be almost sure that these gentlemen, who are necessarily politicians, will not advocate the hard way.

The World Situation

ALL over the world today governmental debts are expanding, though national debt already was heavy before the present war. The United States was, of course, relatively the best off even prior to the First World War, when its debt was only 3.5 per cent of the national income. Last year this percentage stood at 53 per cent of national income, while today debt is about (Aug. 31, 1942—\$83,746,000,000) 76 per cent of the people's income.

How do these percentages of debt to national income in the other nations stand? As of last year they were estimated by the Institute of International Finance as follows: Canada 84 per cent, Italy 100 per cent, Netherlands 115 per cent (1938), Germany 128 per cent, Japan 137 per cent, New Zealand 162 per cent, Great Britain 227 per cent, France 400 per cent. Those percentages are much heavier today, and at the close of the war will present one

of the most difficult situations any nation has to face in time of peace.

America's public debt was nil in 1836. When the Civil War came, the \$3 billion cost was financed four-fifths by borrowing and one-fifth by taxation; in the First World War which cost the United States about \$32 billion, about three-fourths was borrowed. Great Britain at that time borrowed \$36 billion out of \$42 billion spent, while Germany borrowed practically the whole amount. Canada's borrowings were so heavy that she found herself in the 1920's paying out half of the nation's revenues for interest.

Growth of Public Debt

A FEW more figures might help us to get a perspective. Forty years ago, the United States' public debt was \$3,373,000,000, of which 57 per cent was local, 35 per cent national and 8 per cent was state debt. In the four decades since then, the national debt has grown with only one interruption while the percentage of state and local debts has shrunk. In the first decade, 1902 to 1912, Federal debt remained stationary. In 1919 it stood at \$26,596,000,000, but wonder of wonders, it was reduced by \$10 billions during those profligate and spendthrift Republican Administrations of Harding, Coolidge and Hoover, so it stood at \$16 billions at the end of 1930. Britain did no such good job in reducing its debt. In that period it cut its national obligations only £302 million to £7,529 million. Today Britain's debt is upward of 13 billion pounds.

Since 1931 the United States has adopted a policy of deficit financing or debt expansion which bids fair to produce the world's greatest aggregate debt. Our venture into living more expansively on borrowed money was induced by the depression. Once we were pioneers and faced adversity squarely; now in a debt economy we face it obliquely. The critics call it

borrowing oneself into prosperity; the advocates, merely that the ultimate beneficiaries, that is posterity, should be made to pay a part of the war. Of course, this latter premise is erroneous, but there it is.

Will Debts Be Paid?

WELL, what about the Federal debt? Surely there can be no question but what all United States securities will be paid in toto. That depends on what you mean by "paid." As a rule, public debts tend to become a permanent clinging vine on the wall of national income; they do not have to be repaid or even reduced. They are caused by depressions, wars and preparations for wars and hence are a permanent part of the picture, until the call of Mars is forever silenced. There is one other possibility.

We might have a war without further debt if the Administration would impose taxes equal to expenditures. But this is politically hazardous. People actually pay for the war as they go along, but since it can be made to appear that the unpaid bill is to be met in the future, that is so much more palatable. People will say: We can't pay it all; those who follow us must pay some of it. But you can be sure they won't. Because we are the posterity of our predecessors; and we are not paying their debts, we are paying our own and creating more. We can be sure that our posterity will do the same. We are passing it along. They will pass it along. When it becomes too inconvenient, they will shrug it off. How? By repudiation, inflation, currency depreciation, or simply refunding at lower rates.

We need not consider external debts because the United States has none. In general, they are difficult to deal with unless trade is unhampered. They are a source of international irritation. They were repudiated after the World War, but we may have to deal with them again, particularly if we keep up high tariffs and import little.

Large Internal Debts

INTERNAL debts will be boosted by the present war vastly, maybe to \$200 or \$300 billion, depending on the length of the war. During the present fiscal year the Government will require \$77 billion of which some \$26 billion will be raised in taxes. The balance of \$51 billion must be

borrowed. As much of this as possible must be borrowed from current income and as little as possible from commercial banks. A \$300 billion dollar debt looks like a crushing burden, with total assets of the country placed at between \$350 and \$400 billion. That doesn't mean that we would be bankrupt or on the brink of insolvency.

Such a debt at the present rate of service would mean about \$7 billion annually which is well above tax collections in the years just before this war. President Roosevelt is reported to have said that he thinks that taxes can be maintained after the war at about \$20 billions, that expenditures could be cut to \$10 billion and that \$10 billion could be used annually to retire debt. Thus \$200 billion could be liquidated in 20 years and \$300 billion in 30 years. The United States News, commenting on this possibility, says: "The catch is that it is to take \$74 billion of government spending to help generate the necessary national income to produce a tax revenue of \$20 billion."

Will We Repudiate?

STUDENTS will say that the history of nations shows that when taxes to pay debts become too onerous, the debts are repudiated through a change in government, or only partially paid by a capital levy or by depreciation of the currency. Unless the debt instruments were widely held, the interest payments invariably tended to bring a transfer of wealth to one end of the social fabric. Such wealth concentration, where one smaller class lived on the labor of the rest, has in the past brought decay and then revolution.

In Greece, the peasants of Attica steadily lost their prosperity through foreclosure to the wealthy Athenians. Solon's efforts to alleviate the situation by reducing interest rates and wiping out existing debts helped only temporarily. The debt device and its disturbing results remained. Gaining democracy, the Greeks, instead of righting basic inequalities, used their power through pressure groups to get special economic privileges and temporary gains. Rome conquered Greece and it, too, fell a victim to soft living and long-term debt. Usurers put the thumbscrews of high interest rates on the populace. Angered, the people fell under the delu-

sion that they would be better off under dictatorship. So came Augustus and a long line of tyrants, to be followed by 700 years of the Dark Ages.

When France Turned to Napoleon

FRENCH kings tinkered with the money system, regarding the state's ability to print currency as a fountain of perpetual wealth. Their assignats created a mountain of debt and with prices and taxes going skyward, they turned to Napoleon as a rescuer. And be it said, Napoleon emitted no paper. In more modern times, Russia repudiated its debt through a revolution. Germany, Austria, Hungary and Italy imposed capital levies after the First World War.

Violent currency inflation was permitted to wipe out debts in Germany and Austria and even France eliminated much of its debt by revaluing the franc drastically. All this indicates the road traveled by governments which do not honestly face their commitments, feel they cannot meet them, or believe that it is not necessary to do so. The United States came to this fork in the road when it refused to honor the gold clause on its bonds in 1933, explaining it was inadvisable to do so.

American citizens from now on can look forward to a long period of paying for its two big wars. Because such conflicts have a tendency to speed up the scale of peacetime spending, we must expect the Federal budget after the war to be substantially larger than in the period between, say 1935 and 1941. In the decade before the Civil War expenditures ranged around \$50,000,000. In the 10 years following, they jumped to between \$250 and \$300 million. In the decade before the World War, Federal spending stood between \$500 and \$800 million; in the decade following, they zoomed to between \$3 billion and \$6 billion a year. On that basis, could we not look for postwar spending twice the \$7 to \$10 billion in pre-war years.

How Much Is a Billion?

DO you realize how much a billion dollars is, or is it are? The Reader's Digest says: If you started at the beginning of the Christian Era to spend at the rate of \$1000 a day and had kept it up continuously, your total expenditures to August 1, 1942,

would amount to \$709,163,000. To reach the billion dollar total at this rate, you would have to go on spending \$1000 a day for another 796 years, or until A.D. 2739.

These figures have a fascination for the statistician, but the chief meaning of a \$300 billion debt for you and me is in the burden it imposes on us, and what it may do to our democracy. We know that the heavier taxes we pay, the less debt we bear and consequently, the less interest we pay in the coming years. Taxes mean current sacrifices; interest on debt, future sacrifices. Of course, this interest will be added to the ordinary costs of Government when peace comes. The burden on the people will depend on other things besides size of the debt. The rate of interest and the amount of national income are other factors. Say our debt is \$100 billion and the interest rate averages 2½ per cent. Then, other things being equal, we as a people could stand a \$200 billion debt as easily if the interest rate were lowered to 1¼ per cent and \$300 billion if the rate were cut further to between ¾ and ⅞ of 1 per cent.

Tax-Exemptions

THAT leads us to the devices or policies which keep interest rates at a point where they serve the national economy best. In the last war rates, our Government sold its Liberty and Victory bonds to yield 4¼ and 4¾ per cent, and they carried desirable tax-exemption features. These were paid off or refunded, but even today there is outstanding about \$35 billion of wholly tax-exempt securities. Of these \$35 billion, individuals are reported by the Treasury to hold between \$10 and \$11 billion. There is in addition another \$35 billion which are partially exempt from Federal tax.

Apparently the Government felt 25 years ago that it had to offer the tax-exemption feature to induce large scale buying of its securities, but there is no such thought prevalent today. There is little private financing to offer competition, because corporations are marching in a Federal parade. The character of this war is different from the last one. The civilian is in it as well as the soldier. Profit is entirely subordinate—to such an extent—that public interest takes a squint at a company's earnings state-

ment and says: "Your profits are too high. You will have to re-negotiate."

Why Low Interest Rates?

OF course there is another side to this policy. There are people who are disadvantaged by low or lower rates. They are the creditors or lenders. Institutions who have Federal issues and other high-grade obligations in their portfolios suffer. Individuals who depend on return from investment experience decline in income which may reduce their standard of living. The policy of the Government does not take into account the expectations or even needs of hundreds of thousands who, when they buy a fixed income-bearing security, feel that they have some right to protection in their return. This presumed right is ignored if it runs counter to government policy.

People must remember that creditors are those that governments discriminate against in favor of debtors. All throughout history, it is the lenders who get squeezed. But lenders and savers will lend and save till doomsday—unless, of course, we turn completely socialistic. In which case, individual bank accounts and free enterprise won't have much interest for us.

But to get back. Governments always must plan to finance war needs cheaply, let the chips fall where they may. The United States did it more cheaply than Britain in the First World War and it is doing it more cheaply in this one. We must expect these low rates to continue since Federal means to effect money policy has been strengthened.

Relation to Income

EQUALLY important with the rate is the size of the national income. A large and growing income would make the taxes easier to obtain, while a shrinking income would mean that the same taxes would be more onerous. It is therefore to the interest of the Government to prevent any undue decline in the price level because declining prices without a proportionate rise in production cuts down national income. Holders of bonds are in that case benefited at the expense of the greater group of borrowers. The relationship of the price level to the debt burden is therefore obvious. The burden of the debt service is lighter with a rising price level and higher na-

tional income; it is heavier with a declining price level and lower national income. This follows simply because tax revenues expand and decline with income, i.e., assuming no change in tax rates.

Hence we should look for a continuation of high prices after the war, especially as material declines in wage rates would meet with tremendous resistance—and wages are a large part of the costs of production. Management, too, it appears, is convinced that high wages, if accompanied by efficiency, are desirable and here to stay.

What of Inflation?

WE cannot leave the subject of debt without touching on inflation. It appears as if taxes and voluntary sale of bonds to individuals will still leave \$30 or \$35 billion which the Government must have to pay for war goods and services. These billions must come from somewhere—that is, wherever most of the money is—that place is the commercial banks. The Government will sell them the bonds. They will pay for the bonds by arranging a similar amount of credit for the Treasury. The Treasury will spend it in the war program and then the money comes back into the banking system, increasing bank deposits by the amount of money spent.

Already bank deposits have risen to about \$75 billion, or some \$8 billion from the first of the year. Of this total, \$42 billion is in commercial banks. If this continues, swollen bank deposits will constitute a serious inflationary danger. This bears on debt because if prices zoom now, the danger of a sharp decline after the war would make the debt burden much more difficult to bear.

Commercial bank credit is fiat credit and is similar to fiat currency. There is nothing behind it today except unproductive debt. It does not carry itself because the war machine does not add to the nation's wealth. It produces no revenue and hence is inflationary in character. Inflation in the degree to which it is permitted, is an unethical, unseen tax, which may wipe out debt, but does it by a process tantamount to a capital levy. Hence, the creation of long-term debt by sale of Federal bonds to commercial banks fosters the chain of events which may or can in time destroy the value of

those very bonds. The reason, of course, why the Government is able to sell these bonds to the banks is that it has made them eligible as security for the issue of Reserve notes or currency. What is this but an artificial market? Its end result is depreciation if not currency devaluation. This produces all manner of social maladjustments.

Who Carries the Load?

TO sum up then: Debt in our economy will increase. Its costs per billion will stay low—near 2 per cent. The average is now 2.4 per cent. The burden will be relatively easy to bear, with national income remaining high. The chief trouble with increasing debt is that it fosters wealth concentration; it transfers income or wealth from those who have few or no government securities to those that have more. This is a process that goes on continuously and leads to wide disparities in income and standards of living. For it is plain that as debt increases faster than wealth and income, the number of people with guaranteed income increases, forming a sort of favored class. As Frank Graham says: "The greater the proportion of the social return that is fixed in volume, and assigned to cer-

tain individuals, the greater the concentration on the remainder of any vicissitudes that may occur."

The way out of this dilemma is to spread the ownership of Government's bonds as widely as possible. This is done today by voluntary subscription or deductions from payrolls. But forced savings could be more equitable, giving every earner a stake in government in proportion to his pay. This would be a bulwark against legislation which discriminates in favor of borrowers.

The ideal, after war is over of course, is a government relatively free of debt, so that one year's taxes pay for one year's expenses. That goal, however, is decades away. Economy in government is a goal to be sought, but its difficulty is that men go into offices on promises and most of these promises are lavish. Candidates are going to do something for somebody, though lip-service is paid to national interest. Many people have yet to learn that they pay for what they get. Will we have "guts" enough to demand that we be taxed in peacetime to pay for the debts of war? We did it once in part. Perhaps our experience with a soft economy hasn't really made us soft. That remains to be seen.

Why Credit Men Need Their Association During War-Times

(Continued from page 16)

I am trying to bring out is that there are a great many plants and industries that have been established merely for the duration of the war, while other plants have been compelled to change their productive organization over to the manufacture of war materials. With the present ceiling on prices and the re-negotiation of contracts a definite threat to their balance sheet, together with the new tax bill, I think I have ample reason to wonder just what is going to happen to these plants when the time for readjustment arrives.

To you who are national distributors I ask who is going to keep you posted on these extensive changes and developments that are taking place today and will increase a hundred fold in the post-war period. There are some of us who passed through the war conditions of 1917 and 1918, and

the post-war conditions which followed. I feel sure that none of us would dare say that the education and experience gained at that time qualifies us as experts to meet these new problems. To believe this would be to live in a fool's paradise.

We Need N.A.C.M. Now

THE present war conditions are in no way comparable with those of 1917 and 1918 and neither will our post-war conditions be comparable with those of the first world war. It is essential that you and I have someone who will keep his hand on the pulse of the country and note these changes as they develop. If a major surgical operation is necessary let it be done with the least disturbance to all interested parties. If a liquidation or reorganization is to take place let it be done under the skillful hands of an expert in our Adjustment Bureau.

In doing this you are acknowledging the efforts of our pioneering predecessors and you are placing these serious, delicate problems in the hands of an Association that you and I own and control and direct.

There is a definite and very important part which we of the credit profession must play in the days that lie ahead, and it is only by preparing today, and tomorrow, and the next day, that we are going to be able to take our place in that great army that some day, and we hope it will be soon, will be called into service to set this old world in order again.

We can only hope that during the period of readjustment there will not be a period of utter chaos, but somehow, somewhere, will be found a method or a program which will permit a reasonable absorption of the shock which we know must come after a world conflict of the present magnitude. This is only a hope, but we as credit executives and as an Association must prepare ourselves for a job such as we have never faced before if we individually and collectively are to make our contribution to this readjustment period. We must accept this challenge and face our task and responsibilities each day with the determination that is typical of us as Americans, and make a sacred pledge to ourselves that we will not fail in our responsibility to the credit profession, our responsibility to our individual companies, and above all, our responsibility to our country.

Publish Guide for Small Business Records

Helpful hints for the small businessman are to be found in the book "Record-Keeping for Small Stores" by Charles H. Welch and Charles H. Sevin, which has just been published by the U. S. Government Printing Office. Copies of the publication may be had without charge upon application to the Bureau of Foreign and Domestic Commerce of the U. S. Department of Commerce, Washington.

Describing what records are needed, and how to keep them with the least time and effort, "Record-Keeping for Small Stores" deals with problems which have harassed businessmen for years, and which have been doubly complicated by the war. With its emphasis on practicability and simplicity, it should be of great service to small retailers throughout the country.

The material in the book was gathered primarily by Mr. Welch, who is associate professor of accounting and merchandising at Hampton Institute in Virginia. It was printed especially for the use of the Senate Committee.

The Price of Price Control

(Continued from page 18)

untouched and is therefore both unjust and inflationary. Subsidies are inflationary because they increase the total of purchasing power, so we must use price control and fiscal measures—and so on, round and round, world without end.

A New Form of Cash?

ACTUALLY, we are presented at this moment with the fact that wartime money tends to lose some of its value in satisfying the needs of consumers. A secondary currency appears; namely, the coupon. It is not improbable that the coupon will shortly have more value than the goods for which it is exchanged. To put it another way, the right to buy something may be worth more than its price. Here again is one of the negative war lessons about which we were speaking. Price control begins to appear as an amazingly complex concept, involving not only all of the mechanisms of supply and demand—fiscal, material, and human—but also the dangers of standardization which could be carried over into the post-war period to a point where the whole impetus of variety and invention would be lost.

The public utility field has given us a beautiful example of the ultimate in price controlling. First, the local regulatory body; then the federal controls; next the government subsidized authorities with their "yardsticks"; then federal grants to municipalities for the erection of competing utilities free of capital costs; and finally, the realization that the price of controlling the utility industry is government ownership and operation. The price of controlling the railroads, both as to the rates they charged and the wages they paid, ultimately was heavy subsidies to waterway, highway, and air borne transport, and the scaling down of values in invested capital on which the railroads could not possibly meet annual charges.

The Controlled Price of Money

IF there were time, we might discuss one of the most drastic of all price controls; namely, the regulation of the interest rate, which in the last analysis is nothing more than the price of money.

In the end, this anomaly stands forth: We have for many years had on our statute books anti-trust laws designed to prevent the fixing of minimum prices, the pooling of markets, and the restriction of production. Yet agriculture has been encouraged to do this very thing by means of government bounties—paid to discourage production.

Under the exigencies of war, the government is doing what it has systematically forbidden industry, agriculture, and commerce to do; namely, fix prices. To be sure, the anti-trust laws were aimed at collusion among

producers and distributors in times when there was no great shortage of commodities. But in any dynamic, productive, and expanding economy, price fixing is a formidable barrier.

Our present effort to accomplish it, although wholly justified by the emergency, should give us a vivid illustration of the inequities and the stifling influence of price regulation, the peacetime costs of which will far outweigh every advantage. In war, we do all, give all, and accept all; but in peace, we should flood this device with the light of inquiry and analysis and it should not be difficult to demonstrate that the price of price control is too high to justify its continuance.

An Economist Looks at Peace

(Continued from page 29)

ects for all the man power we have available. When technology again gives us a surplus of man power some day—as it surely will—then hours of daily labor can come down, vacation periods grow longer."

A Better World in Which to Live

IN the course of his discussion, Mr. Chase points to the wide acceptance by American businessmen of the need for full employment when the war ends. He quotes a speech in which Walter D. Fuller, President of the Curtis Publishing Company and Chairman of the Board of the National Association of Manufacturers, said: "The people of this country are fighting this war for a better world in which to live. They would like to get it through democracy, liberty and free enterprise. But they are determined to have this better world of greater security one way or another, and if they don't get it through present principles they will look elsewhere. The handwriting is on the wall. We either must cut the cloth to fit that pattern or the reformers and demagogues will. We can point to past accomplishments of free enterprise until hell freezes over, but people are concerned about the future, not the past."

Commenting on this assertion, Mr. Chase says: "This quotation deserves a second reading. Coming from this source it is a startling statement. . . . This is going to be the greatest challenge that American businessmen

have ever faced. It will be up to them to prove to their fellow countrymen that full production and free enterprise can work in harness."

Kaiser's Accomplishments

AS a portent of future developments, Mr. Chase points out how one American businessman did it. "It is interesting to watch the career of that miracle man of the west, Henry J. Kaiser. Here is a private businessman who has won his reputation, his fortune, and the gratitude of the whole nation, almost solely in the field of public works. His first great achievement was Boulder Dam. Then came Grand Coulee, Shasta, and the Golden Gate bridge. Now he is making ships to government order at a speed never matched before, and he wants to build sky trucks with which to win the war.

"I think there is some kind of a moral here for those who insist that public business is evil and private business is good—or vice versa. Mr. Kaiser shows us how a businessman can co-operate with the public interest to the greater glory of both. If we had another score like him they could rebuild the whole country in towering splendor over the next decade or two!"

The "Big Five" Standards

POSTWAR America will easily be able to produce enough to provide every man, woman and child in the country with a decent minimum standard in the "Big Five": food,

clothing, housing, education and health care—according to Mr. Chase.

"The estimates of requirements and supply," Mr. Chase emphasizes in his report, "are based on physical things. We are going to strip the community to its fundamentals, and ask: What does it need in goods, what has it got to make them with?" In a later report Mr. Chase plans to deal with some of the financial problems involved in bringing production up to a level called for in his budget of needs and resources.

The Nutrition Standard

IN the matter of food requirements to set up a nutrition standard for the whole nation, Mr. Chase says: "We have been growing almost enough food to meet the standard. However, the crop pattern must be shifted from wheat and cereals to more dairy products and vegetables. We have the plant, but it needs retooling in some departments." Of the nutrition requirements themselves, Mr. Chase says: "The standard has been worked out. Science has replaced guesswork. Individual differences and tastes will always play their part, but we know the forty chemical elements that the body must have." Mr. Chase pays compliment to the "gold standard of nutrition" which has been worked out by food scientists and which is being given wide publicity by government agencies, food manufacturers, trade associations and others in connection with the war effort.

In spite of all this knowledge, however, Mr. Chase calls attention to the fact that "all authorities agree that a huge proportion of Americans are now short of receiving the standard. Perhaps 75 per cent are short to some degree, while at least 30 per cent—forty million persons—are living below the diet danger line. Shortages are due both to ignorance of the standard and to plain inability to buy the required foodstuffs."

Minimum Food for All

DISCUSSING the philosophy of guaranteeing minimum food requirements to all citizens, Mr. Chase points to Great Britain and says: "Britain is now subsidizing the production of flour, bread, meat, oatmeal, milk and orange juice in an attempt to keep the whole population well-nourished. The subsidy keeps

prices to consumers low. Under pressure of bombers and submarines, the principle of a minimum budget [in food] has been established in Britain."

Mr. Chase points to our own Food Stamp Plan and the School Lunch Plan as steps toward an adequate food budget for the nation and says: "The depression, and now the war, have forced Americans to think of themselves as one Great Family, and the government has taken long steps towards guaranteeing the Family's food supply. It will take more before the war is done. The food budget is squarely on the trend curve—not something which it would be nice to do some day. The rationing of sugar and other foodstuffs marks an important point on the curve. It indicates that all citizens are included, not just those who have the money to hoard a private supply.

"Finally, we must not forget that, for a considerable period after the war, American farmers will have to feed the human family as well as the national family—or large sections of it in Europe, and perhaps in Asia and Africa as well. This will tend to give employment to farmers during the transition period, and ease the shock of demobilization."

Clothing for all, Also

TURNING to the item of clothing in the national budget of needs and resources, Mr. Chase says: "In 1939, estimates made by a federal government agency showed that if everyone in the country could buy as much clothing as a family living on an income of \$1,800 a year now buys, production would have to be raised about 10 per cent. . . . That level, however, represents a minimum standard of health and decency at 1939 prices. The agency estimated that a 10 per cent increase would give jobs to about 250,000 people."

Mr. Chase summarizes various estimates of productive capacity in clothing and says they prove "beyond all doubt that the American clothing industry, from cotton in the fields to garment shops on Seventh Avenue, New York, has been entirely capable for more than thirteen years of turning out more than we can conveniently wear."

In his discussion of housing, Mr. Chase says: "We have been talking about 'houses' and 'dwelling units.' A better term for this department of

the budget is 'shelter.'" Using this as a base line and specifically renouncing costly architectural frills, Mr. Chase reviews figures from leading authorities on what are our housing needs. He concludes: "I think we can take it as demonstrated that the budget will call for somewhere between a million and two million dwelling units, over the whole country, every year, for at least ten years after the war ends. That will make the biggest single demand upon manpower of any project on the horizon—the largest pool for postwar work."

Jobs for Thousands in Building

ACCORDING to one authority, says Mr. Chase: "It will keep at least 1,600,000 construction workers busy; a high government source estimates 2,000,000 workers. It may mean two or three times the labor force which was building houses in 1940, when 600,000 units were constructed."

In the realm of education, Mr. Chase sets as a minimum national goal a chance for every boy and girl to go through high school. He says: "A test check of the Census in 1940 shows 95 per cent of all children between seven and fifteen years of age at school, and 56 per cent at ages fifteen to nineteen. We are doing better, but to meet the high-school-for-all standard a great deal more needs to be done."

Mr. Chase suggests: "To regain perspective we must remember that except for some countries in Western Europe, like Sweden, no nation has ever given the mass of its population so much schooling as the United States gives. When we lift our sight to high school for all, it is, in the perspective of history, a very lofty sight. But in the power age I doubt if it is too lofty. . . .

Millions Below Physical Standard

"THE tasks outlined for us here are to expand educational opportunities in the lower and upper age groups, to abolish child labor and get the youngsters back into school, to level up opportunities between city and country, between one state and another, to eliminate illiteracy, to build more modern schoolhouses, to train a great new army of teachers."

In his discussion of health care, Mr. Chase points out that: "Of the first two million men examined for

the Army in 1940-41, almost one million were rejected because their physical condition was below Army standards. These were men supposedly in the healthiest years of their life, in a great rich country which spends many millions for doctors, medicines, hospitals, and advertisements about health and sanitation." Mr. Chase points out that physical standards for military service are more severe in this war than they were in World War I, and that many considerations affect this high percentage of rejections. "But a large fraction," he says, "can be laid squarely to insufficient medical, dental, clinical, hospital and public-health attention."

Surveying our resources for medical services and health care, Mr. Chase says: "If we had not gone to war and could make plans under normal conditions, we should not be far wrong, I think, if we assumed that with all due allowance for internal adjustments, the budget required an increase of one-third in total professional personnel. Dentists would be over this figure; doctors under it. Hospitals would need to be heavily expanded, and large increases would be needed in public health facilities. . . . These increases, it goes without saying, should not be bunched in upper-bracket communities as health facilities now tend to be. They should be spread over the nation, especially in farm areas, so that service is readily accessible to every member of the Great Family."

Ratio of Poverty to Sickness

CITING figures on average illness in the United States, Mr. Chase says: "The National Institute of Health reported that in 1935-1936 persons on relief averaged 17.4 days of illness a year; persons not on relief but with family incomes of under \$1,000 averaged 10.9 days of illness; persons in the \$1,500 to \$2,000 a year income group averaged 7.0 days; persons with incomes of over \$5,000, 6.5 days of illness. Here is a stunning statistical parallel between poverty and sickness."

These figures on illness lead Mr. Chase to a basic conclusion about the whole national budget of needs and resources. "Adequate medical care for the lower-income groups would not, of course, completely close the gap. Some of the individuals are poor because they are sick, not the other

HELPING BURROUGHS USERS MEET TODAY'S PROBLEMS
WITH THEIR PRESENT EQUIPMENT

**"We can produce
these new reports as
a by-product on our
present machines"**



**Burroughs has been
able to show many
concerns how to
obtain these and
other vital reports
as a by-product:**

Materials Used

Costs by Projects

**Labor Distribution
by Accounts**

**Taxes Collected
from Employees**

**War Bond Purchases
by Employees**

Today it is frequently necessary to meet new accounting requirements with present equipment—and, if possible, without increasing the time required.

In meeting such problems, Burroughs men can help you determine whether new records can be posted in combination with present records . . . whether figures and statistics for new reports can be obtained as a by-product of regular routines—or by utilizing your present equipment in some other manner.

To avail yourself of Burroughs' technical knowledge and experience, call the local Burroughs office. Or write—

**BURROUGHS ADDING MACHINE COMPANY
DETROIT, MICHIGAN**

Burroughs

★ FOR VICTORY—BUY UNITED STATES WAR BONDS AND STAMPS ★

way around. But even with these, there is a vicious circle in which citizens grow sicker and poorer. Illness results not only from lack of doctors and hospitals, but from lack of good food, good shelter, warm clothing, adequate education. In the last analysis, the Big Five are all tied together."

A Drastically Changed Economy

A DRASTICALLY changed economic system for America after the war is over—a system now designated simply as "X" and described as a mixed economy based on full employment and full production—is predicted by Mr. Chase.

As he gauges the working out of this world-wide force in the United States, Mr. Chase foresees in this country "a modified system of free enterprise, sustained at key points by government controls. Full employment will be insured by a system of public works in housing, conservation, power development, transport facilities. Every effort should be made to develop new products for the consumer industries."

Mr. Chase looks upon such a system as the logical outcome of trends that have been developing in this country since 1914. He says, "This program can only be taken as a kind of opening gun. The most significant thing about it is . . . a 'mixed' economy in which private enterprise shares the field with public works and government controls. . . . This is what we have been experiencing, only more of the same to come."

The "X" System

IN attempting to name the emerging system, Mr. Chase refers to it as "something called 'X'" and says, "If we do not know yet what to call it, we can at least describe its major characteristics."

Defining the specific objectives of the new system, Mr. Chase cites five major points:

Full employment. All men and women seeking work which cannot be found in private industry should be employed by the state.

Full and prudent use of material resources. Idle plant and idle machines must become as great a scandal as idle men. Natural resources, however, especially soils, waters, forests, must be utilized

without progressive deterioration of these assets.

Guarantee of the five essentials to every citizen—food, housing, clothing, health services, education.

Social insurance at all major exposed points in the social structure. This would include old-age allowances, benefits for sickness, accident; temporary unemployment, childbearing.

Labor standards. These would include minimum wages, maximum hours, standards for working conditions, in every branch of employment.

In his discussion of the new system, Mr. Chase sounds a note of hope both for winning the war and winning the peace which is to follow. "The challenge to democracies is not so much a military one, in the long run, as it is a social one. Can the democracies provide the goods which the people demand in this revolutionary age, and continue to be democracies?"

Do We Recognize the Challenge?

"THE United States has everything it takes to meet the challenge, except recognizing that there is one. It has the resources, the man power, the science and technical skills, to give the people all they demand, without surrendering the ballot or the Bill of Rights."

Bringing figures to support his thesis, Mr. Chase says, "During the stagnation of the 1930's, it has been conservatively estimated that 100 million man-years of labor in this country were wasted through unemployment, and the National Resources Planning Board calculates that, as a result, two hundred billion dollars' worth of potential goods and services were lost."

Mr. Chase declares this is exactly the kind of social waste which the new economic system will not tolerate. On the question of how the five-point program of the future is to be financed, he says, "Where's the money coming from? Out of that one hundred million man-years of work wasted; out of that two hundred billion dollars of production which never was produced. It will come from the same place that the bombers, tanks and battleships are now coming from—out of the full employment of the people."

The Psychology of Credit Letters

(Continued from Page 13)

Letter of Refusal to a Business Operating Under an Extension

- Par. 1 Acknowledgment only.
- Par. 2 Introduces the discussion.
- Par. 3 Compliments, and establishes importance and ability; gives the customer credit for intelligence of his own.
- Par. 4 Presents a straightforward analysis.
- Par. 5 Declines; implies that decision can be revised.
- Par. 6 Shows that the customer's business is wanted; shows confidence in his ability.

Gentlemen:

We appreciate the order which you placed with Mr. a few days ago.

I have been much interested in following the development of your business since your organization last year, as it is set forth in the Dun and Bradstreet report which we secured as part of our credit procedure.

I realize that you have had some peculiar difficulties to overcome and that you have met them with resourcefulness. Your present situation, however, gives me some concern. Of course it is superfluous for me to comment that your latest statement shows a top-heavy situation, for I know that you are fully aware of that.

What, in my opinion is more serious, is the fact that adverse conditions have already substantially depleted your working capital, yet your sales budget for the next six months calls for a 25 per cent increase in volume. Without this increase, your losses will continue, but with it, the required turnover of working capital would be at the rate of eleven times annually which I feel is not practicable in your line of business.

Since your business is at present under creditor and stockholder supervision, as well as for the reasons outlined above, we do not find it advisable just now to come into the picture as a new creditor. I feel that you will see our point of view.

We hope that this will not close the

door to future transactions, for we should like to do business with you. We shall be glad to follow your progress and open an account for you when your situation improves.

Yours very truly,

Analysis of Letter Below

- Par. 1 Appeals to goodwill.
- Par. 2 Describes unfavorable situation.
- Par. 3 Appeals to his fairness by presenting your side of the picture.
- Par. 4 Rejects frankly.
- Par. 5 Appeals to goodwill; shows confidence in his ability; shows that decision is subject to future revision.

Letter That Closes an Old Customer's Account

Dear Mr. Blank:

One of the most difficult tasks that confronts a credit man is to give due weight to purely business considerations as against friendship where the account concerned is one with whom the house has enjoyed friendly relations for a long time. That is the problem which I face in considering the recent trend of your account with us, as well as reports of slow payments that have been coming from your other creditors, indicating that payments are reaching them 90 and 120 days late.

Possibly you may have satisfactory arrangements with them, but in the hosiery field manufacturers must operate on a more restricted credit policy due to the very narrow margin of profit that is dictated by competitive conditions. We do not figure in our costs any provisions for carrying accounts beyond maturity date, and are therefore in position to offer credit accommodations only to those firms who are paying promptly.

Since your payments to us have been running increasingly slow, we regret that we cannot continue your account. I have your letter of June 8, ordering 15 dozen of our style No., but I am sorry that we shall not be able to ship the goods.

We hope, however, that we may retain your friendship and enjoy relations with you again when your situation improves.

Yours very truly,



OUT of the night, death and destruction plunge toward earth.

This was the night foreseen long before ... the night filled with bombers sweeping back and forth dropping their terrible cargoes...the night filled with fighter planes darting swiftly after the enemy...this was the night for which the people had prepared.

Now they are safe in shelters, safe under steel and concrete domes.

Your business, too, is constantly threatened with sudden, catastrophic raids. Without the slightest warning any customer—even the largest and most trusted—may become insolvent, imposing a serious loss on you and other creditors.

Against such risk, you need the protection of

AMERICAN CREDIT INSURANCE

An AMERICAN CREDIT policy is the strategic defense employed by thousands of manufacturers and wholesalers to protect working capital and profits against unforeseen credit losses. AMERICAN CREDIT guarantees payment of accounts receivable... guarantees reimbursement for losses caused by the insolvency of customers.

Write Dept.C-12 for your FREE copy of our new brochure "The A-B-C of Credit Insurance."

J.F. McFadden, President

First National Bank Bldg., Baltimore

49 YEARS IN BUSINESS

AMERICAN CREDIT INDEMNITY COMPANY
OF NEW YORK

"Guarantees Payment of *Your* Accounts Receivable"

OFFICES IN PRINCIPAL CITIES OF UNITED STATES AND CANADA

Revised Soldiers' and Sailors' Relief Act

Credit executives who check closely on the status of their retail store outlets will find the revised Soldiers' and Sailors' Relief Act worthy of close study. A full digest of this revised Federal law will be found on page 468 of the War Credit Manual. However herewith are presented some of the important features. The following excerpts from a statement recently issued by W. Randolph Montgomery, of counsel for the National Association of Credit Men, cover many important phases of the revised act:

The Revised Soldiers' and Sailors' Relief Act does not effect an automatic moratorium against creditors. The granting of a stay of an action or proceeding is in the discretion of the court.

Where a person now in military service was engaged in business and the business is now conducted by a relative pursuant to a power of attorney, the enforcement of obligations incurred subsequent to entry into military service, are not automatically stayed, but the stay is in the discretion of the court.

Court Acts as "Guardian"

AT any stage of an action or proceeding in any court, in which a person in military service is involved, either as plaintiff or defendant, during the period of such service or within 60 days thereafter, the court may in its discretion, and must on application of such person or some person on his behalf, stay the action or proceeding. However, if the court is of the opinion that the ability of such person to prosecute the action or conduct his defense, as the case may be, is not materially affected by reason of his military service, it need not stay the action.

The court may likewise stay the execution of any judgment or order against such person in military service, and vacate or stay any attachment or garnishment of property, money or debts in the hands of another, whether before or after judgment.

When an action for compliance

with the terms of any contract is stayed, no final penalties shall accrue by reason of failure to comply with the terms of such contract during the period of such stay, and in any case, where a person fails to perform any obligation and a fine or penalty for such non-performance is incurred the court may relieve the person in military service against the enforcement of such fine or penalty.

Any stay of any action, proceeding, attachment, or execution may be ordered for the period of military service and three months thereafter or any part of such period. Where the person in military service is a co-defendant with others the plaintiff may nevertheless be permitted by the court to proceed against the other defendants.

Protection Against Default

THE text of the Act providing protection for those in military service against default judgments is as follows:

"In any action or proceeding commenced in any court, if there shall be a default of an appearance by the defendant, the plaintiff before entering judgment shall file in the court an affidavit setting forth facts showing that the defendant is not in military service.* If unable to file such affidavit plaintiff shall in lieu thereof file an affidavit setting forth either that the defendant is in the military service or that plaintiff is not able to determine whether or not defendant is in such service. If an affidavit is not filed showing that defendant is not in the military service, no judgment shall be entered without first securing an order of court directing such entry, and no such order shall be made if the defendant is in such service until after the court shall have appointed an attorney to represent defendant and protect his interest, and the court shall on application make such appointment. Unless it appears that the defendant is not in such service the court may require, as a condition before judgment is entered, that the plaintiff file a bond approved by

the court conditioned to indemnify the defendant, if in military service, against any loss or damage that he may suffer by reason of any judgment should the judgment be thereafter set aside in whole or in part. And the court may make such other and further order or enter such judgment as in its opinion may be necessary to protect the rights of the defendant under this Act.

"In any action or proceeding in which a person in military service is a party if such party does not personally appear therein or is not represented by an authorized attorney, the court may appoint an attorney to represent him; and in such case a like bond may be required and an order made to protect the rights of such person. But no attorney appointed under this Act to protect a person in military service shall have power to waive any right of the person for whom he is appointed or bind him by his acts.

Right to Reopen Case

"IF any judgment shall be rendered in any action or proceeding governed by this section against any person in military service during the period of such service or within thirty days thereafter, and it appears that such person was prejudiced by reason of his military service in making his defense thereto, such judgment may, upon application, made by such person or his legal representative, not later than ninety days after the termination of such service, be opened by the court rendering the same and such defendant or his legal representative let in to defend; provided it is made to appear that the defendant has a meritorious or legal defense to the action or some part thereof. Vacating, setting aside, or reversing any judgment because of any of the provisions of this Act shall not impair any right or title acquired by any bona fide purchaser for value under such judgment."

* The form of such affidavit varies in the several states, according to state law or local court rules. In most states it is required that the affidavit be substantially in the form prescribed.

Installment Purchases

SECTION 301 of the Revised Act prohibits repossession of goods sold on an installment contract except through proper action in a court of competent jurisdiction. The section provides:

(1) "No person who has received, or whose assignor has received, under a contract for the purchase of real or personal property, or of lease or bailment with a view to purchase of such property, a deposit or installment of the purchase price, or a deposit or installment under the contract, lease, or bailment, from a person or from the assignor of a person who, after the date of payment of such deposit or installment, has entered military service, shall exercise any right or option under such contract to rescind or terminate the contract or resume possession of the property for nonpayment of any installment thereunder due or for any other breach of the terms thereof occurring prior to or during the period of such military service, except by action in a court of competent jurisdiction.

(2) "Any person who shall knowingly resume possession of property which is the subject of this section otherwise than as provided in subsection (1) of this section or in section 107, or attempts so to do, shall be guilty of a misdemeanor and shall be punished by imprisonment not to exceed one year or by fine not to exceed \$1,000, or both.

(3) "Upon the hearing of such action the court may order the repayment of prior installments or deposits or any part thereof, as a condition of terminating the contract and resuming possession of the property, or may, in its discretion, on its own motion, and shall, on application to it by such person in military service or some person on his behalf, order a stay of proceedings as provided in this Act unless, in the opinion of the court, the ability of the defendant to comply with the terms of the contract is not materially affected by reason of such service; or it may make such other disposition of the case as may be equitable to conserve the interests of all parties."

Mortgages

SECTION 302 of the revised act authorizes the court to stay the foreclosure of mortgages, trust deeds

and other security in the nature of a mortgage upon real or personal property owed by a person in the military service at the commencement of the period of military service and still owed by him, which obligations originated prior to such person's period of military service. Said section provides that:

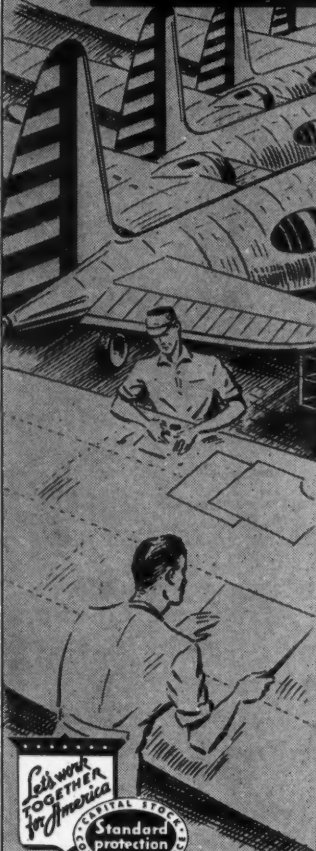
"No sale, foreclosure, or seizure of property for nonpayment of any sum due under any such obligation, or for any other breach of the terms thereof, whether under a power of sale, under a judgment entered upon war-

rant of attorney to confess judgment contained therein, or otherwise, shall be valid if made after the date of enactment of the Soldiers' and Sailors' Civil Relief Act Amendments of 1942 (i.e., October 6, 1942) and during the period of military service or within three months thereafter, * * * unless upon an order previously granted by the court and a return thereto made and approved by the court."

The section further provides that no sale under a power of sale or un-

(Continued on Page 39)

The RIGHT TO FEEL SECURE



Maintaining uninterrupted production depends on a *backlog of security* as well as a "front line" of ingenuity and resourcefulness. Our job is to maintain this backlog of security for industry, commerce and the home, closing the gap with always available funds for replacement when loss occurs. ☆ For National Security buy War Bonds... for property security see your Home Town Agent—he sells *the right to feel secure*.

**STRENGTH
PERMANENCE
STABILITY**

Fire • Automobile • Marine • Casualty • Fidelity • Surety

FIREMAN'S FUND GROUP

FIREMAN'S FUND INSURANCE COMPANY
HOME FIRE & MARINE Insurance Company
OCCIDENTAL Insurance Company
SAN FRANCISCO
New York • Chicago • Los Angeles • Boston • Atlanta

DEPENDABLE INSURANCE SINCE 1863

Overbuying in War-Time Prosperity

Problems Faced by Credit Men on Increasing Orders

CF Eternal vigilance is the price of survival. This is true in every field of human conduct and endeavor. Of a certainty it applies to business, and to credit management, which is always the hub, and in most cases the balancewheel that determines whether the business will wind up with a profit or loss.

Present day unusual conditions present unprecedented problems, which in turn create uncertainty and confusion, and have resulted in legislation which even those charged with its enforcement do not clearly understand, but have to resort to the practice of issuing new rulings and interpretations at close intervals, containing qualifications and exceptions which leave many a hard-headed business man dizzy and confused. Even priority orders refer to possible exceptions the existence of which the holder has no way of knowing.

In spite of these conditions, business must go on; not as usual, because that is impossible, but as close to normal as the changed conditions permit. And the credit man, in addition to the customary problems which confront his daily routine, must as best he can adjust his decisions to the tempo of his war economy. While many industries are being forced out of business, or have to curtail operations considerably, others are doing a greater volume than ever, almost too much business for safety and comfort.

Business Growing-Pains

THIS is especially true in the so-called textile industries, the manufacturers and wholesalers of the things that the average person wears, and the result is a big headache to the credit man, who sits at his desk and shakes his head as the large orders roll in, from 50% to 200% greater than the usual seasonal purchases.

By **EDWARD S. HORWITZ**
Credit Manager
The Charles Meis Shoe Company,
Cincinnati, Ohio

Practically all retailers are doing a record business. This, and fear of higher prices and a shortage of merchandise as the country speeds up its gear for war production, spurs him in his commitments. Nobody is being "kidded" by the price-control law. The best we can expect is that it will prevent any runaway inflation. Increases in wages and prices are being legally sanctioned almost every day, in order "to correct inequities." When wages are raised, the price of the product must go up. When prices are raised, the cost of living goes up, resulting in an "inequity" which must again "be corrected." And so the vicious circle continues, and all the law can do is to put on a reasonable curb. The merchant knows this, and he knows also that consumer merchandise will be scarcer as the war goes on, and these two considerations, plus the over-optimism of a record volume of business, are apt to blind his judgment and drug his caution.

Foundation Is Not 100 Solid

MORE sober judgment would convince him that this war-time prosperity is not based on any too-solid foundation, but is dependent upon four contingencies, as follows:

1. Continuation of the war.
2. Continuation of the public's spending power over and above the huge amounts that will be necessary for buying war bonds and paying enormously increased taxes.
3. Ability of the manufacturers and wholesalers to supply their customers with merchandise.
4. Freedom from government restriction (rationing and priorities) in being able to sell unlimited quantities of merchandise.

This applies to both the wholesaler and retailer.

It is necessary, even vital, that every businessman, every creditman, and every salesman understand the implications of these four broad contingencies upon which depends the continued prosperity which their customers are now enjoying. A change in the status of any single one of them might well hamper the ability of the customer to take care of his obligations.

When Will War End?

HOW long the war will continue, no one can foretell with any claim to accuracy. The end may come very slowly, as the result of attrition, or it may come quickly as the result of an upheaval or revolution. The average American feels that the Axis has passed its peak, while the United Nations have yet to reach it, and this tends to create a spirit of optimism, and an underrating of the enemy. We welcome optimism, but we deplore over-confidence. While hoping for a short war, we should be prepared for a long one. However, the credit man has no right to gamble with his firm's merchandise. He must recognize the fact that this prosperity is in fact due to the war, and that there exists always the possibility of an early and unexpected end of the conflict.

Our next consideration is the possibility of a continuance of the spending power of the public for consumer products. The pressure to buy war bonds will of necessity grow heavier, and enormously increased taxes will have to be paid. March 15, to the writer's way of thinking will be a red letter day to a tremendous number of people. For the first time those on the home front will have brought forcefully home to them the stark realization that they are the ones who will have to finance the war, and that the load will not be an easy one.

A doubling, in fact almost trebling, of the taxes of many who are already on the income tax lists; and a heavy tax liability on the part of those who never previously made out a tax return, will put a serious damper on this spending spree. Many persons swimming in this new sea of prosperity have doubtless made no provision for these taxes. They will either have to borrow the money, or as it seems very likely, there will be so many in this category that the Government may have to make some arrangements for monthly payments. However, regardless of the method of payment, these extra taxes will siphon away a large portion of the earnings that formerly went into the purchase of consumer products.

We next have to consider the ability of the manufacturers and wholesalers to supply their customers with merchandise. Materials are running short, priorities are making their inroads on supplies, labor is going to war, skilled labor is either being drafted or going to higher-paying jobs. Retail stores are still stocked up, but the manufacturer and wholesaler is already beginning to feel the pinch, which from now on will grow greater from day to day. The letters from manufacturers to their customers either canceling orders entirely, or cutting them down materially, increase daily.

Scarcity of Merchandise

THIS is an actuality that must be faced. It is in line with the program of the war economy calling for a further substantial conversion from consumer to war production. It is our belief that a cut of at least 25%, and possibly more, may be expected in the production of consumer merchandise. This will mean that all orders cannot be filled. Where will the merchandise go? Can there be any doubt that the well-rated and prompt-paying customers will be given preference? And in that event, how are the off-rated accounts, most of whom do not pay their bills promptly, going to get their merchandise? In fact, how are they going to be able to stay in business?

The last contingency we have to consider carries still more potential dynamite for the small merchant. Suppose the government should decide that it is time to step in and put a halt to the flood of buying that is absorbing large sums of money need-

ed to support the war effort, and creating a shortage in consumer products. Suppose that manufacturers are instructed to fill only a certain percentage of orders based on the customers business of previous seasons with that particular manufacturer; or that the retailer is permitted to buy only a certain percentage of his previous season's purchases; or that the government orders rationing from the manufacturer or wholesaler to the retailer; or from the retailer to the customer. It does not require any stretch of the imagination to see what would happen to the small retailer, the one who has to depend entirely upon the proceeds of his sales to liquidate his obligations. Even if he were not caught short of merchandise, the process of sales by rationing would be entirely too slow to permit him to retire his obligations as they became due, and he would soon be in hot water with his creditors. But even that is assuming a good deal, for when it comes to a shortage of merchandise, we all know that the well-financed merchant is the one who will receive preference, and the doubtful

ones will be out of business for lack of goods to sell, if for no other reason.

A Case for "Order Resistance"

THE foregoing are all things which the credit man and the salesman must begin thinking about right now. It is time to replace the former sales-resistance of the customer with order-resistance on the part of the salesman. This is a seller's market and about all a salesman now needs is a pencil, order-pad, and sufficient time to write the order.

What thoughts pass through his mind when he knowingly permits his customer to buy greatly in excess of his previous season's order? They probably run something like this. (1) It isn't up to me to hold the customer down, but a matter for the house to decide how much they want to ship him. Furthermore, I might make him sore, and lose the order. (2) He probably understands conditions, and if the house finds it necessary to cut him down either on account of credit or shortage of merchandise, he will

(Continued on Page 38)





COMBATING CARELESSNESS

An accident hazard existing in your plant is an enemy to be sought out and destroyed just as an enemy on the battlefield. Both are a menace to the safety of the country. To make use of a safety engineering service designed to destroy the accident hazard is a patriotic duty. Employers Mutual extends this service as a part of its workmen's compensation insurance coverage. Accident prevention accomplishes both saving in manpower and saving in insurance costs. "An ideal arrangement" -- say our policyholders.

Employers Mutual

LIABILITY INSURANCE COMPANY OF WISCONSIN
HOME OFFICE: WAUSAU, WISCONSIN
OFFICES IN THE PRINCIPAL CITIES OF THE UNITED STATES



Getting
FACTS from
 Washington
 Through
 Your Own Service Bureau

**How the Bureau
 Can Serve You**

1. Is your company involved in the war program, either through receiving a material order from a contractor or subcontractor on a war project, or as a contractor?

2. Does your company have occasional claims against the government and need information regarding them and assistance in clearing away difficulties?

3. Does your company as a supplier of material on government construction jobs often need information from Washington regarding the status of such projects?

4. Do you experience delay in receiving payment from the government for goods or services rendered . . . and need some one in Washington to assist you in this connection?

5. Are you in need of information about the policy and procedure of the new governmental agencies?

6. Are you uncertain regarding the government's purchasing procedure?

**Individual Contract Service
 NOW AVAILABLE**

Annual underwriting contracts are available on an individual basis to member firms of the National Association of Credit Men.

For the basic underwriting cost of \$50, the annual contract provides for twelve reports during the course of the contracting year.

Reports beyond twelve, during the contract year, will be available at a reasonable price, consistent with the nature of the report.

If the preparation of a report requires an unusual amount of time and effort, the Bureau officials can inquire of the firm as to whether an additional charge can be made. This will apply only in special cases and will be subject to communication and mutual agreement.

This provision will apply both in the case of regular contract reports and those beyond the number provided by the contract during the year it is in effect.

There will be no carry-over of unused reports to be applied toward a new contract at the end of a contract year. The contract, being on an annual basis, is renewable at the end of the full term of twelve months.

Use the coupon below to enroll for this important Washington Service.

Date.....

Nat'l Ass'n of Credit Men, 1 Park Avenue, New York, N. Y.

Because of our firm's interest in and need for its service, we wish to join in the underwriting program of the Washington Service Bureau as outlined above. Will you, accordingly, send us the necessary annual contract form under which we will have the privilege of receiving 12 reports during the contract year.

NameTitle

Firm

Street and City.....

NEWS ABOUT CREDIT MATTERS

A section devoted to
Credit Association affairs

December, 1942

Copy deadline
10th of month

N.A.C.M. Mourns Death of Its Eighteenth National President

Wm. F. H. Koelsch, the eighteenth President of the National Association of Credit Men and a leader in the affairs of our organization for many years, passed away on October 30 at the home of his daughter in Dobbs Ferry, New York.

Until his retirement from business activities about two years ago Mr. Koelsch served for several years as vice president and manager of the Thirty-fourth Street branch of the Chase National Bank in New York. Mr. Koelsch was elected president of the National Association of Credit Men at the Atlantic City convention in 1920.

Mr. Koelsch's banking connections in New York previous to his being appointed vice president and manager of the Thirty-fourth Street branch of the Chase National Bank were with the Guaranty Trust Company and the Bank of the United States of which he was a vice president. He later went with the Netherland Bank of which he was president in 1920 when the Netherland Bank was merged with the Chase National. Mr. Koelsch was retained as the manager of the branch bank in the locality of the Netherland Bank.

Mr. Koelsch had served two terms as president of the New York Association and was one of the managing committee of the big convention held at Atlantic City in 1920. The success of that function brought his name prominently to the attention of the other members of the Association, and he was the unanimous choice for president.

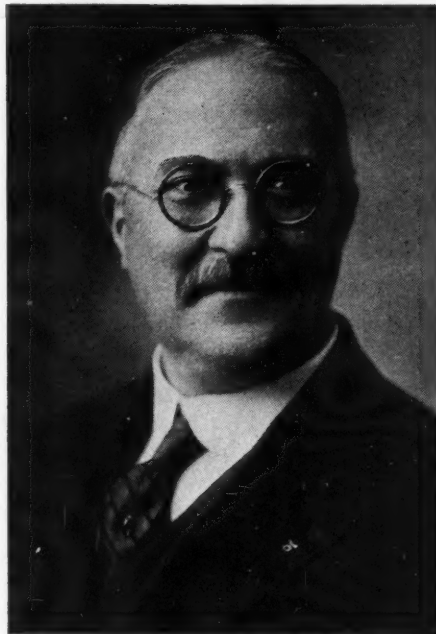
One of his first jobs was that of a special writer on sporting, drama and financial subjects for the Brooklyn Eagle, and, although he had a brilliant career as a banker, he often referred to his days as a reporter as being among the happiest of his life.

He was a member of the N.A.C.M. Committee that made a proposal to the Senate Committee on Finance for the establishment of the Federal Reserve System.

Mr. Koelsch was an attendant at most National conventions and took an active interest in the affairs of N.A.C.M. and the New York Association up to the time of his death. He is survived by two daughters, Mrs. J. W. B. Smith and Mrs. E. E. Kirkpatrick, also by a brother, Carl A. Koelsch, who is president of the Empire State Savings Bank at 33rd Street and Park Avenue.

The funeral services were held in the chapel of the Woodlawn Cemetery in New York.

Two Day Conference on Credit Problems in War Time and Post-War Held at U.S.C.



Wm. F. H. Koelsch

P. M. Haight Celebrates 40th Anniversary With International G-E

P. M. Haight, Past National President of the National Association of Credit Men, received congratulations from many friends and business associates early in November as he celebrated the 40th anniversary of his connection with the International General Electric Company.

Among the many messages of congratulations Mr. Haight received was one from Clark H. Minor, President of International General Electric Company. Mr. Minor said:

"You are known to all of us as the Secretary and Treasurer of our Company and as the only holder of those offices since its organization. Your familiar signature is recognized by thousands, and your name and high reputation are known throughout the world.

"But it is to you as a man, rather than one of our executive officers, that this is addressed; to the man so many of us affectionately call 'Percy' or 'P. M.'"

"Ever kind and considerate, sympathetic and tolerant, loyal and faithful, always

(Continued on Page 35)

D. A. Weir One of Principal Speakers at Important Los Angeles Session

Los Angeles—Credit executives in the Southern California area enjoyed a great treat on November 12th and 13th when they attended a two-day conference devoted to the problems of credit management in the war and post-war economy, held at the University of Southern California. The Los Angeles Credit Men's Association was one of five business organizations in Los Angeles sponsoring the conference. The other associations were the Retail Merchants Credit Association, Los Angeles Bank Credit Men's Association, Building Material Dealers Credit Association, the California Association of Small Loan Companies.

David A. Weir, assistant executive manager, spoke at the Thursday afternoon program on "Credits in a World at War" and also took part in the panel discussion at the evening forum. He made another address on Friday afternoon "Credits and the Credit Man in the Afterwar Era" and took part in the evening discussion on "Post-war Economy."

William A. Taylor, president of the Los Angeles Credit Men's Association, acted as chairman of the session at which Mr. Weir was speaker on Friday afternoon, and Fred J. Carpenter, national director from Los Angeles, also took part in the panel discussion on Friday evening.

Among the other subjects discussed were "Purposes and Methods of Regulation of Credit" by William M. Hale, vice president of the Federal Reserve Bank of San Francisco; "Shortages and Their Relation to Price Control and Credit Problems" by Rolf Nugent, special advisor, Office of Price Administration, Washington.

At the Friday luncheon meeting, Dean Reid L. McClung, of the College of Commerce and Business Administration, University of Southern California, spoke on "Financial Facts and Fancies," and Mr. Hale, of the Federal Reserve Bank of San Francisco, again spoke on "Purposes and Methods of Government Lending."

Again, on Friday afternoon Dr. Nugent, spoke on "The Economic Consequences of Credit Regulation."

At the Friday dinner meeting Dr. Rufus B. von Klein Smid, president of the University of Southern California, spoke.

War Time Clinic at Toledo Features Many Credit Problems

Toledo—A War Time Clinic starting with a luncheon at 12:30 and continuing through a dinner session at 6:30 was held on November 19 by the Toledo Association of Credit Men.

Among the speakers were Lee F. McDermott, Chief Rationing Officer of the Toledo District, who talked of "Rationing and Its Effect on Business." A quiz session under the direction of John G. Kettman, of the Kuhlman Builders Supply and Brick Company, followed.

After a short recess, H. T. Fulton, Secretary-Treasurer of the Ainsworth Shoe Company of Toledo, directed the discussion on "What A Financial Statement Means Today." Bruce R. Tritton, of Cleveland, National President, N.A.C.M., and Russell Deupree, National Director from Cincinnati, also spoke during the afternoon.

"Taxes and Your Business" was an important subject discussed by Thomas J. Dolan, C.P.A., of Toledo.

At the dinner session Henry H. Heimann was the main speaker, the subject being "Victory Through Sound Credit."

On November 5 the Credit Round Table luncheon discussed "After the War Problems" under the leadership of J. A. Livi, of the Surface Combustion Division of General Properties Co., Inc.

Government Men Tells Chicagoans of War Production

Chicago—The November 18 forum of the Chicago Association of Credit Men, held in the Grand Ballroom of the Hotel La Salle, was devoted to a discussion of problems faced by credit executives which arise from war production.

The plan used at the forum was for members to mail their questions to Association headquarters in advance of the meeting so that proper answers might be prepared by members of the committee.

Oscar Iber, Jr., presided as chairman of the Forum Committee. The following Government officials were on hand to reply to questions presented: Joseph L. Overlock, Regional Director; John Neuveen, Jr., Regional Conservation Manager; Edmund H. Eitel, Regional Priorities Manager; Harvey T. Hill, Regional Director, Industrial Salvage; L. A. Miller, Chief, Production Section.

An innovation used in this forum program also is of interest in that Mr. Overlock acted as interlocutor and read the questions from the rostrum asking his fellow Government executives to answer them.

War Economy Dayton Subject

Dayton—Professor E. B. O'Leary, of the University of Dayton, was the speaker be-

Philadelphia Again Leads

Philadelphia in the Eastern Division, Cincinnati in the Central Division, Buffalo in Class C in the Eastern Division, and Bridgeport in Class D also in the Eastern Division, were announced as the leaders in the membership campaign as of November 2nd. This report showed that New York had a gross gain in membership of 29; St. Louis, 21; Indianapolis and Louisville, 12 each; Los Angeles and Philadelphia, 7 each. The report also indicates that Philadelphia has now had a consecutive net gain for the past 27 months. Indianapolis has increased its membership for seven months; Detroit, for four months; Syracuse for three months; and Louisville for two months.

An interesting item about the gross increase at St. Louis is that the twenty-one new members were obtained in eight working days.

H. B. Freeman Is Honored for 25 Years With His Company

New York—Harold B. Freeman, acting general credit manager for Johns-Manville Corporation, was honored at a luncheon Thursday, October 29, in New York, when he received a gold watch from President Lewis H. Brown and was formerly inducted into the company's Quarter Century Club.

The Club is an honorary organization for employees who have served 25 years or more with Johns-Manville. Freeman actually traces his first connection with Johns-Manville back to 1915. He returned to school, however, for a year and returned to the Johns-Manville organization in 1917. He has been credit manager for the company in Chicago and Cleveland and served as treasurer for a Johns-Manville subsidiary in Kansas City. He was also general salesman in Ohio for several years.

250 Chicagoans Hear Tax Talk

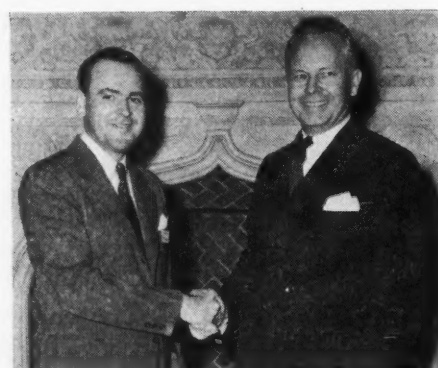
Chicago—More than 250 members of the Chicago Association of Credit Men and guests attended a luncheon Thursday, November 5 at which time David Himmelblau, senior partner of the firm of David Himmelblau & Company, Certified Public Accountants and professor of accounting and head of the accounting department of Northwestern University spoke on the subject, "The Biggest Tax Bill In Our History."

fore the November 11 dinner meeting of the Dayton Association of Credit Men held at the Van Cleve Hotel. Professor O'Leary's subject "The Credit Manager and War Economy" was based on a discussion of changes affecting credit operations and business in general in the after-the-war period.

Petroleum Division Names G. L. Martin As New Chairman

At the 18th Annual Conference of the Petroleum Division, National Association of Credit Men, held in St. Louis, October 26-27-28, Geo. L. Martin, Credit Manager, Johnson Oil Refining Company, Chicago Heights, Ill., was elected Chairman of the Board of Governors of the Division for the coming year.

New Vice-Chairmen are H. L. Blankenship, Bareco Oil Company, Tulsa; R. C. Gordon, Shell Oil Company, Inc., St. Louis and Wm. Stockton, The Atlantic Refining Company, Philadelphia, Pa. Other members of the board elected for 1942-43 are: Robert P. Dean, Standard Oil Co. of



Retiring Chairman, Robert P. Dean, left, congratulates Geo. L. Martin.

Penna., Philadelphia; D. A. Grant, Socony-Vacuum Oil Co., Inc., Chicago; L. R. Johnson, Allied Oil Company, Inc., Cleveland; H. M. McDonald, Cities Service Oil Co., Kansas City; W. C. Samuels, The Texas Co., Houston; W. J. Sexton, Skelly Oil Company, Kansas City; F. F. Struthers, Mid-Continent Petroleum Corp., Waterloo, Iowa; C. T. Wolff, Gulf Oil Corp., New York; and as Secretary-Treasurer, R. A. Colliton, National Association of Credit Men, St. Louis.

Retiring Chairman, Robert P. Dean, Standard Oil Co. of Penna., Philadelphia, was in charge of the three-day meeting. Sixty delegates, representing thirty-one companies, were in attendance from sixteen states.

The general theme of the program was Wartime Credits, with feature addresses by J. Gordon Dakins, Educational Director, National Retail Credit Association; Aline E. Hower, Hower Letter Improvement Service; Clarence M. Stewart, Vice-President and Secretary, Federal Reserve Bank of St. Louis; and Dr. Harry J. O'Neill, Head of Department of Economics, School of Commerce and Finance, St. Louis, University.

The remainder of the sessions were devoted to Open Forum discussions and exchange of ideas regarding current problems as they affect credits in the Petroleum Industry, including "Rationing of Petroleum Products," "Governmental Accounts," "Credit Cards," "Taxation," "Personnel Problems," and many others.

Chicago Survey Shows Collections Best in 20 Years

Chicago—G. H. Nippert, President of the Chicago Association of Credit Men, has just issued a bulletin showing that collections throughout the United States as reported by members are the best in 20 years.

These reports are received through the Industrial Credit Groups of the Association and are from manufacturers, wholesalers and jobbers. They show collections for October are 90 per cent "good" and 10 per cent "fair." Not a single report showed collections "poor."

These figures show a distinct advance in collections in the past six months. In May 71.6 per cent of the reports were "good" and 28.4 per cent were "fair."

Keirstead, Miller Are Named Life Members at St. Paul

St. Paul—At the October meeting of the St. Paul Association of Credit Men, honorary life memberships were extended to C. V. Keirstead and Matt W. Miller, both past presidents of the Association for extraordinary services to the local Association of Credit Men.

C. V. Keirstead, now with the Reconstruction Finance Corporation at Minneapolis, was the 27th president of this Association and led the campaign to raise the first Fraud Prevention Fund 100 per cent.

Matt W. Miller was the 33rd president of the Association and during the late twenties did some outstanding membership work at a time when the whole national economy was staggering under the finan-

cial collapse of 1929, and during the following year continued the good work as president, resulting in an increase in membership. Mr. Miller is now with the Massachusetts Mutual Life Insurance Company.

Chicago "C" Men Aid Scrap Drive

Chicago—As a result of the Industrial Scrap Metal Drive under the direction of the War Activities Committee of the Chicago Association of Credit Men and managed by a special committee representing the steel industries, Association volunteers have visited more than 225 industrial plants and in each plant an authorized official has been appointed to inspect the plant thoroughly, taking out the scrap and sending it on its way for steel production.

The Industrial Scrap Metal Campaign is conducted by the Industrial Salvage Section of the Conservation Division of the War Production Board under the direction of Harvey T. Hill, Secretary of the Chicago Association of Credit Men, who is dividing his time between Association headquarters and War Production Board offices. Mr. Hill's activities cover four states: Illinois, Indiana, Iowa and Wisconsin.

Rochester Views "Cannons on Wings"

Rochester—"Cannons on Wings" was the title of a movie story presented at the November 11 dinner meeting of the Rochester Association of Credit Men. This dinner was set aside in celebration of Armistice Day. The sound film "Cannons on Wings" gave a gripping portrayal of how the "Aircobras" are blasting their way to victory on all fronts in this all-out war.

P. M. Haight Celebrates 40th Anniversary With International G-E

(Continued from Page 33)

thoughtful of the welfare of others, we are happy that this anniversary affords us an opportunity to express these sentiments to you and to assure you of our lasting friendship and high regard.

'The wish we leave with you as we each sign this testimonial is, that the years



in the future may be as kind and friendly to you as you have been to us."

The meeting of the monthly roundtable of the Foreign Credit Interchange Bureau of the National Association of Credit Men also took occasion to commemorate this 40th anniversary of Mr. Haight, George W. Patterson, American Cyanamid Company, New York, being the speaker on this occasion.

Mr. Haight served as vice president and president of the New York Credit Men's Association and was elected president of the National Association of Credit Men at the Pittsburgh Convention in 1935.

Menagerie Contest On at Detroit

Detroit—The Detroit Association is conducting what is calls a membership menagerie, this being a competition between ten teams, the names of which are Tigers, Wrens, Wolverines, Burros, Lions, Panthers, Canaries, Zebras, Bears, Cardinals. During the month of October these teams were successful in enrolling fourteen new members, Harry C. Burton, Tigers, leading the list with five.

Credit Women

Chicago—Members of the Credit Women's Club of Chicago since July 1 have sold almost \$50,000 worth of War Bonds and War Savings Stamps. They operate booths in 3 leading hotels in Chicago.

Cuts 35th Birthday Cake



The above picture, taken at the Tri-State Conference of District No. 2 at Newark on October 15-17, shows some of the old timers of the New Jersey Association of Credit Men around the birthday cake cut by that Association to celebrate its 35th anniversary. Those around the cake watching Karl R. Tallau, of the Wilbur B. Driver Co., cut the cake are, reading from left to right: P. B. Menagh, N. J. Savings Bank Ass'n; Hampton Auld, Hampton Auld, Inc.; Ralph L. Smith, Pyrene Mfg. Company; A. C. Gibbins, Johnston-Murphy Company; William H. Whitney, Secretary-Manager of the Association; Fred Braun, J. J. Hockenjos Co.; Fred J. Squires, Sherwin Williams Co.; Wm. Engelhard, West Hudson Nat'l Bank and Trust Co. Other past presidents of the New Jersey Association of Credit Men, who attended the conference but who were not on hand when the cake was cut were Curtis R. Burnett, past president, National Association of Credit Men; Arthur L. Meyers, W. H. Compton Shear Co.; Earl R. Mellen, Weston Electrical Instrument Corp., also, past director, National Association of Credit Men; George B. Jackson, A. G. Behn Footwear Co.

President Tritton Speaks to Cleveland Credit Women

Cleveland—Bruce R. Tritton, National President, N.A.C.M., and E. S. Sisson, President of the Cleveland Association of Credit Men, were speakers at the November 10 meeting of the Cleveland Credit Women's Club held at the Mid-Day Club. President Tritton outlined for the credit women the operations of the National Association and discussed the several departments of the national organization, and Mr. Sisson spoke of the important place held by the Cleveland Association of Credit Men in the business world in the Cleveland area.

Philadelphia—The Philadelphia Credit Women's Club heard a talk by Leonard A. Drake, Regional Business Consultant, Philadelphia District, United States Department of Commerce, on "War and Post War Trends" on Thursday evening, November 12. Mrs. Marie E. and Paula Spratt were hostesses for this program. Plans are now being formed for the annual Christmas party which will be held December 12 at the Ritz-Carlton Hotel. Mary Pearson has been appointed chairman of the Christmas party committee. This event is one of the leading events of the year on the Philadelphia Credit Women's roster.

Chicago—Members of the Chicago Credit Women's Club have been quite active in the sale of War Bonds and Stamps. Members of the Club are on duty at booths in the Drake, Seneca and Lake Shore Hotels.

Minneapolis—The Minneapolis Wholesale Credit Women's Club has been fortunate in securing prominent speakers at their recent meetings. Brenda Ueland, well known author, was guest speaker at the October meeting. Her talk was on "Hobbies" as the Club was featuring a Fair with exhibits from all members representing their favorite hobbies. Professor Frederic B. Garver of the Economics Department of the University of Minnesota spoke at the November meeting on "Inflation and Price Control." The meeting was held at the Coffman Memorial Union where the Club acted as hostess to the St. Paul group. Miss Melba Gahring is President of the Club this year and Miss Blanche Scanlon, a member of the National Credit Women's Executive Committee is Vice President.

Los Angeles—The November dinner meeting of the Credit Women's Club of the Los Angeles Association of Credit Men was held at the Clark Hotel on November 9. The members of the Credit Women's Club joined in the big Credit Seminar at the University of Southern California on November 12 and 13.

Albuquerque—A dinner meeting was held October 23 at the Franciscan Hotel, Albuquerque, New Mexico. Guest speaker for the evening was Miss Annie Porter, National Director of the Credit Men's Association. Miss Porter gave a very interesting report on her recent trip to the National Directors Meeting held in Chicago.

Eight members were dropped at this meeting, as they have moved out of town or taken Government positions. However, the Credit Women's Club is trying to replace these members with girls of the Credit Association.



Sergt. Rockwell, U. S. Army, poses with Margaret Tiernan, president of the Credit Women's Club of Detroit, and Margaret Bradley, chairman of the committee of that club to provide service boxes for the boys overseas, and Adj. McClellan, of the Salvation Army. The Credit Women's Club packed and mailed fifty boxes to overseas boys and will also play Santa Claus to twelve orphans in the Detroit area.

Zebraffairs

Los Angeles—The Los Angeles Herd of Zebras has received an engraved certificate from American Flying Services to witness the donation of one hundred dollars made by the Zebras for the purpose of helping an airplane candidate prepare for his training course.

On Friday, November 6, the first initiation of the Los Angeles Zebras was held at the Rosslyn Hotel. A large class of Quaggas were on hand for this initial meeting of the boys with the big white stripes.

Oakland—J. Walter Petersen, of the Geo. R. Borrmann Steel Co., is the new superzeb of the Royal Order of Zebras of the Wholesalers Credit Association of Oakland, California. Other officers are: Gordon Graham, H. S. Watson Co., most noble zeb; Frank Curcio, Remar Baking Co., royal striper; W. A. Kenmuir, Lincoln Lumber Co., 3 horse power borros; Reems Freedman, National Lead Co., keeper of the zoo; Ken Thomson, Wholesalers Credit Association, zebretary; J. O. Banta, Dempsey & Sanders, royal scribe.

On November 5th the first initiation of the year was held and plans made for the annual Association Christmas party which will be held at the Claremont Hotel on December 19th.

During the past thirteen years the Oakland Herd has initiated 78 in the R.O.Z. and there are now 48 active members.

Los Angeles—Tuesday, October 20, marked the date of the Royal Order of Zebras' visit to the American Red Cross Blood Bank. Thirty Los Angeles Zebras presented themselves for this patriotic cause. Thirty pints of blood were taken and then the deflated Zebras retired to Stephen's "Nikabob" for dinner which was hefty because of their weakened condition. LACMA is proud of the fact that fifty per cent of the members of Herd No. 1 turned out for this occasion.

Obituary

Hartford—The Hartford Association of Credit Men recently passed a memorial resolution in respect for Henry Perkins Smith who was serving as a member of the Board of Directors of the Hartford Association at the time of his death on October 9th. Mr. Smith was connected with the Factory Insurance Association, having worked up to the position of manager from the job of office boy.

St. Paul—Robert W. Lindeke, St. Paul banker, civic leader, passed away early in November at St. Luke's Hospital at the age of sixty-five.

Mr. Lindeke was the 30th president of the St. Paul Association of Credit Men. After graduating from high school in 1893, he started his banking career as a messenger of the old National German American Bank and at the time of his death was vice-president of the First National Bank.

Credit Education Chapters Active In Local Assns.

Toledo—Since the Nov. 5 dinner meeting of the Toledo NIC Chapter had as its subject "Court Room Problems on Accounts", the committee in charge of the meeting sent out its announcement in the form of a "summons", which summoned each Chapter member to appear in person for dinner and the address by Louis Schrader of the law firm of Farber and Cochran. In charge of this "court of education" was "Judge" Earl Michael of the Gulf Refining Co. The one-dollar charge for the meeting covered the dinner, the talk, and relaxation for the balance of the evening in the YMCA pool.

Rochester—The first forum of the Rochester NIC Chapter is scheduled for Dec. 2 in the form of a panel discussion on priorities, rationing, price ceilings and present day credit problems. The Speakers Comm., under the chairmanship of Seymour R. Jones, has also announced that forums will be held on Feb. 3 and Apr. 7, and that the annual meeting of the local chapter in the Rochester Association is slated for May 12.

New Orleans—Although the local NIC Chapter is not conducting classes this year, plans for a class in Credits & Collections were developed by W. J. Drez, Chapter President, and R. H. Dossat, Chairman of the Association's Educational Committee.

Louisville—A special tax meeting is scheduled for December 8 here at the Louisville Credit Men's Assn. Building under the sponsorship of the Louisville NIC Chapter. This is one of the series of special meetings scheduled each month. On January 12 G. C. Klippel, Credit Manager, Van Camp Hardware and Iron Co., Indianapolis, Ind., will discuss "Appraising the Credit Risk Under Present Conditions."

Chicago—The Chicago Chapter of the National Institute of Credit is planning a series of special meetings to be held in January, February, March and April, 1943, for the discussion of credit problems.

Boston—The Nov. 17 dinner meeting of the Boston NIC Chapter at the University Club heard Major Philip E. Gruber of the Pilgrim Ordnance Plant, West Hanover. His subject was "Where Do We Go From Here?"

On Nov. 5 the local Chapter's course in "Analysis of Financial Statements" began in Sever Hall at Harvard University. Laurence S. Day of W. F. Schrafft & Sons Corp. is in charge of the lectures, which will run for eight weeks. Mr. Day contributed an article on financial statements to the November issue of "Credit and Financial Management."

Summer Credit Institute Alumni Enjoy Reunion

Newark—Alumni members of both the 1941 and 1942 groups in attendance at the N.A.C.M. Summer Institute of Credit Management, which is held annually on the campus of Babson Institute, at Babson Park, Mass., enjoyed a reunion here on Friday evening, October 16, at the banquet session of the annual Tri-State Conference of Credit Men.

Those in attendance at the special Summer Institute table, included: Daniel C. Haight, Land Title Bank & Trust Co., Philadelphia, Pa.; Stanley Thomas, Secretary Manager, Credit Men's Assn. of Eastern Pennsylvania, Philadelphia, Pa.; Henry Weber, The Lowe Brothers Co., Jersey City, N. J., and from New York, Frank Byrne and Harold Christie of Cannon Mills, and Mortimer Davis of the New York Credit Men's Assn. Wilbur Melin of the Rutherford Trust Company, Rutherford, N. J., was accompanied by Mr. Van Winkle, the President, and Mr. Geer, Vice-President of the bank.

Chicago Students Win Credit Prizes

The most successful course in Credit Management, conducted by the Chicago ACM, from an enrollment standpoint closed Nov. 2 with a complimentary dinner to the students at which time Assn. officials explained the work of the various bureaus. One hundred and six men and women registered for the course of lectures delivered by members of the Association. The course was conducted in cooperation with the Central YMCA College and many of those taking the course have enrolled in the professional course offered by the college.

Eight half scholarships in the college, given by the Association to the eight students having the highest grades in the final examination, were won by: Alice Dahlgren, Steven Candy Kitchens; Margot A. Mahon, The Diversey Corporation; E. J. Michaels, Federal Electric Co.; D. W. Rice, General Mills, Inc.; Charles Runner, Edison General Electric Appliance Co.; Katherine Winterstein, Petrolagar Laboratories; H. W. Witwer, DeVoe & Reynolds and F. C. Varney, U. S. Gypsum Company.

These half scholarships are in the amount of \$12.50 each with \$1.00 for registration fee, the student paying the other half. In addition, the Credit Women's Club of Chicago presented to the two young women with the highest standings in the class, Miss Dahlgren and Miss Mahon, a half scholarship each making a full scholarship and registration fee for each in the Central YMCA College in addition to books for the course.

E. G. Kasch, Kraft Cheese Company, is chairman of the Educational Committee of the Association which had charge of the course.

Foley Honored

Newark—Eugene Foley, of Bayonne Steel Products Co., who has served the New Jersey Assn. of Credit Men in many

ways including membership on its Board of Trustees, was recently elected President of the National Association of Sheet Metal Distributors and Vice-President of the National Wholesale Hardware Association. At a recent special occasion here, Mr. Foley was the top buyer of war bonds with the purchase of \$35,000.

Syracuse Members Gain New Honors

Syracuse—Three members of the Syracuse ACM have recently been given recognition in other fields of business activity. They include Association President Frederick P. Weymer of the A. F. Weymer Co., Inc., who has been re-elected to serve as President of the National Assn. of Broom Manufacturers; Oscar Walser of Forsythe & Gale, who was recently chosen President of the Syracuse Chapter, National Assn. of Cost Accountants; and Wm. H. Davis of Hurdman & Cranstoun, who has been elected to the office of National Director of the National Assn. of Cost Accountants.

Boston Hears Balmer

Boston—At the Nov. 10 dinner meeting of the Boston CMA, which was held in Schrafft's, the speaker was Stanley L. Balmer, a partner of McKinsey & Co. His subject was "Wartime Problems of Management."

Serves as Treasurer

New York—L. B. Wilson, Division Credit Manager of the National Carbon Co., has added to his schedule the extra curricular activity of Treasurer of the Mary Fisher Home in Tenafly, N. J., which provides comfortable surroundings for older people, largely from the professional groups. Mr. Wilson is a past President of the New York Chapter, National Institute of Credit, and is a holder of the Fellow Award of the NIC. He was a member of the 1941 NACM Summer Institute of Credit Management at Babson Park, and is active in the New York CMA.

Moran at Joint Meeting

Cleveland—E. B. Moran, Central Division Manager of the NACM, and President of the Chicago Rotary Club, addressed a joint meeting of the Cleveland ACM and the Insurance Board of Cleveland at the Hotel Carter on Oct. 28. Under the heading, "Credit's Fifth C," he discussed the relationship of insurance to credit and the necessity for various types of coverage, particularly during the war period.

Special Tax Conferences

The Chicago Association of Credit Men is cooperating with the Central YMCA College in two tax conferences, one on the Income Tax and the other on the Excess Profits Tax.

The first conference begins December 2 and continues to January 13. The Excess Profits Tax conference continues from January 20 to February 24.

Over-Buying in War-Time Prosperity

(Continued from Page 31)

not take offense, but will be glad to get what he can. (3) He may have purposely increased his order, so as to get what he needs even if it is cut down; or he may be placing increased orders with all sources of supply, and naturally expects some cuts or cancellations.

Salesmen have to take the lean years with the fat ones, and when the latter come along it is only natural for them to want to make the most of the opportunity. But these are dangerous times, with unusual conditions confronting us, and survival itself may be in the balance, both for the nation, the businessman, and the individual. Consequently, as we sat at our desk and saw this tremendous volume of increased orders come rolling in, we decided it was time for a very frank discussion with our salesmen on the subject of credits. We sent a letter to all of them, explaining fully the situation outlined above, with additional comments, as follows:

Letter to Sales Force

"WE have never been in favor of any one over-buying, not even the well-rated accounts who carry a cash reserve, and ordinarily can pay their bills even if their sales do not result in sufficient income to do so, and certainly if a thing is dangerous in the case of a well-rated account, it is triply dangerous in the case of a merchant with small finances who has to depend upon the sale of his merchandise in order to pay his bills.

"Statisticians have figured out that failures in 1943 will be extremely heavy and will continue on the upgrade as a result of the various dangers and practices we have referred to above.

"We have noticed many orders coming in for amounts which would boost the limit to a figure much higher than last season's limits which we already felt were in many cases too high. In all such cases it is going to be necessary to either have the customer cut the order down or do it ourselves.

"The difficult and uncertain conditions under which civilian business is being conducted today calls for caution and sound judgment, and we ask

you hereafter to be sure and restrict your customers to the lines of credit they had last season; otherwise you will simply put it up to us to cut the order down.

"Even in the case of well-rated accounts, it is doubtful if we can take on any substantially increased business due to the difficulties we anticipate in obtaining merchandise. This does not mean that in the matter of good accounts we want to discourage you in making sales, but we feel it should be understood that in the case of substantially increased orders, it may be necessary even in their case to cut them down where conditions require it.

"We are sorry that it has been necessary to write you such a lengthy letter but the situation is so involved and so uncertain that we could not do it in a smaller space, and we feel confident that if you will read this over very carefully, you will understand our position and realize that it is not only a sound one, but the only one we could adopt under present conditions."

Reactions To Letter

READERS will doubtless be interested in the results obtained by this letter. Frankly, they leave much to be desired. Some salesmen advised that they were willing to cooperate by adhering to credit limits in making sales. Others showed their cooperation by sending in orders somewhat modified in amounts, but still too high. Still others seem to be going at pretty close to the power-house speed they were asked to reduce. It is difficult for one to change the habits of a life-time overnight. The average salesman is not a good collector or credit-checker. He has built up but one psychology—"sell all you can," which is a good principal in normal times, subject to proper restrictions. It may not be reasonable to expect him to make a sudden about-face under abnormal conditions, so we must not be too critical.

The remedy apparently is entirely up to the credit man. It is he who must pass on the orders, decide what is a man's reasonable requirements, and what is the best way to discuss the subject with his customers. Over-buying is going on every day, and it is the credit man who will have to apply the damper, diplomatically but effectively. We all want to still be in

business when this overseas unpleasantness is over, and we want to have customers to whom to sell our merchandise, so let us face this problem with a clear mind, a cool head, a stout heart, and calm judgment. Nothing less will solve this problem.

Competition in Transportation

(From New York Journal of Commerce)

The Transportation Act of 1940 set up a Board of Investigation and Research which has been studying national transportation policies and formulating proposals for transmission to Congress. Because it possesses a definite mandate from Congress, the findings of this body probably will play a more important part in post-war transport legislation than the recent report on this subject made to the National Resources Planning Board.

One of the most striking suggestions made to the Board of Investigation and Transportation came from the Transportation Association of America. This body has for some time urged the abandonment of the competition among railway, highway, water and air agencies, and their combination into unified Transportation Systems authorized to furnish all four types of service over specified routes or within a given area. Holding that regulatory changes will not suffice to place the various forms of transportation upon a more equal basis so that each can develop along sound lines, the association contends that only integration of all four classes of carriers under unified management would permit the further evolution of transportation service without the difficulties and handicaps that have beset this part of the nation's economy in the past.

There have been instances of unified operation of different transport agencies in the past. The railroads have owned steamship lines, and now participate in bus and truck operation. However, existing legislation seeks to assure competition among the several forms of transport, so that railroads have had to divest themselves of steamship lines and they are permitted to acquire motor carrier companies only where the ICC finds that operations will complement, rather than compete with, each other.

The proposal to combine different types of transport service under unified management, similar to the electric and gas service given by utility companies in many communities, deserves serious study. Questions raised as to whether such unification is desirable at the existing stage of development of the newer transport agencies, but such very difficult problems as rate regulation, subsidies and relative tax burdens would become far less serious once various transport agencies have been placed under unified ownership and operation.

Revised Soldiers' and Sailors' Relief Act

(Continued from Page 29)

der a judgment entered upon the warrant of attorney to confess judgment contained in any such obligation shall be valid if made during the period of military service or within three months thereafter, unless upon an order of sale previously granted by the court, and a return thereto made and approved by the court.

Stay of Foreclosures of Chattel Mortgages, Etc.

CHATTEL mortgages covering the purchase of such items as store equipment—scales, refrigerators, slicers, etc.—as well as trucks and automobiles, are covered by section 303 of the Revised Act. This provides that no foreclosure or seizure of the property is valid except by court order:

"Where a proceeding to foreclose a mortgage upon or to resume possession of personal property, or to rescind or terminate a contract for the purchase thereof, has been stayed as provided in this Act, the court may, unless in its opinion an undue hardship would result to the dependents of the person in military service, appoint three disinterested parties to appraise the property and, based upon the report of the appraisers, order such sum, if any, as may be just, paid to the person in military service or his dependent, as the case may be, as a condition of foreclosing the mortgage, resuming possession of the property, or rescinding or terminating the contract."

Dependents of a person in military service are also entitled to the benefits accorded to persons in military service with respect to instalment purchases, foreclosure of mortgages, and other liens, upon application to a court.

Whenever, pursuant to the provisions of the Act, the enforcement of any obligation or liability may be stayed, postponed, or suspended, such stay, postponement, or suspension may, in the discretion of the court likewise be granted to sureties, guarantors, endorsers, accommodation makers and others.

Business Thermometer

Wholesalers' Sales, Inventories, and Credits September 1942

CSales of wholesalers advanced only 3 per cent in September, 1942 over the same month a year ago, according to an announcement released today by J. C. Capt, Director of the Census. The gain reported in August of this year as compared with August, 1941, was 2 per cent. An increase of 5 per cent occurred between August and September of 1942, in line with the usual seasonal trend. Sales for the first nine months of 1942 were 16 per cent above those for the corresponding period of 1941.

This monthly study is conducted jointly by the National Association of Credit Men and the Bureau of the Census. Detailed figures are presented in the following tables in summary for the United States, and insofar as the data permit without disclosing individual operations, by geographic divisions.

Twenty of the 35 trades for which separate data are presented in this report showed increases in sales for September of this year compared with September, 1941, twelve showed decreases, and three (clothing and furnishings, except shoes; optical goods, and lumber and building materials) remained at approximately the same levels. With one exception (industrial supplies) the sales increases were confined to the non-durable goods lines. Wholesalers of meats and meat products recorded an increase of 31 per cent; shoes and other footwear, 14 per cent; groceries and foods, except farm products, 12 per cent; tobacco and its products, 12 per cent; and drugs and sundries (liquor excluded), 11 per cent. Decreases in sales, however, were shown for wholesalers of paper and its products, industrial chemicals, and petroleum. Decreases in the durable goods lines ranged from 2 per cent to 28 per cent, on the basis of a comparison of sales for September, 1942, with those of the same month last year. Sales of wholesalers of furniture and house furnishings were

off 28 per cent, electrical goods, 19 per cent; automotive supplies, 13 per cent; and general hardware, 9 per cent.

Inventories, in terms of dollars based on cost values, at the close of September dropped 3 per cent compared with August, the sixth consecutive month when inventories at the end of the month were lower than those at the beginning. Inventories at the close of September, 1942, were 7 per cent below those for the same date last year, continuing the decline in evidence at the beginning of this year.

The stock-sales ratio for wholesalers at the close of September, 1942, was 118 as against 127 for September, 1941, and 129 for August, 1942. Of the 32 trades for which stock-sales ratios are shown, 15 registered decreases in their ratios for September, 1942, compared with those for September, 1941, 15 showed increases, and two (shoes and other footwear, and fresh fruits and vegetables) were the same. Full-line wholesalers of groceries and foods, with a 13 per cent increase in sales and an 8 per cent decrease in inventories, registered a stock-sales ratio of 132 for September, 1942, as compared with 158 for September a year ago. General hardware wholesalers, with a sales loss of 9 per cent and a 21 per cent decrease in inventories, recorded a stock-sales ratio of 189 for September of this year as against a ratio of 210 for September, 1941.

Collections on accounts receivable were up more than 17 per cent for September, 1942, compared with September, 1941, and up slightly compared with August, 1942. The collection ratio for September of this year was 88; for September of last year, 75; and for August, 1942, 87. Accounts receivable were 9 per cent less on September 1, 1942, than on September 1, 1941. Accounts receivable on September 1, 1942, were slightly above those recorded for the beginning of August, 1942.

WHOLESALESA' sales and inventories, September, 1942

Kind of Business	Sales—Current Month				Sales—Year-to-Date		Inventory—End-of-Month (At Cost)				Stock-Sales Ratios a		
	Number of firms reporting sales	Percent change		September 1942 (Add 000)	Percent change from 9 Mos. 1941	Nine Months 1942 (Add 000)	Number of firms reporting stocks	Percent change		Sept. 30, 1942 (Add 000)	Sept. 1942	Sept. 1941	Aug. 1942
		Sept. 1942 vs. Sept. 1941	Sept. 1942 vs. Aug. 1942					Sept. 1942 vs. Sept. 1941	Sept. 1942 vs. Aug. 1942				
United States.....	2,815	+ 3	+ 5	\$335,358	+16	\$3,295,245	1,759	- 7	- 3	\$237,125	118	127	129
Automotive Supplies.....	208	-13	+ 4	4,788	+ 1	44,339	101	-11	- 4	4,274	171	157	187
Chemicals (industrial).....	17	- 6	+ 8	1,436	+12	18,158	13	+17	- 2	661	57	46	63
Paints and Varnishes.....	63	+ 6	-10	3,326	+22	31,498	16	+ 9	- 7	1,229	175	154	203
Clothing and Furnishings, except Shoes.....	46	+ 5	+31	4,886	+13	32,208	27	+ 4	- 8	1,365	132	114	147
Shoes and Other Footwear.....	32	+14	+ 6	18,436	+22	153,205	19	+ 2	-14	5,395	64	64	71
Coal.....	7	+21	+ 3	1,587	+24	15,051	c	c	c	c	c	c	c
Drugs and Sundries (liquor excluded).....	127	+11	+16	24,454	+14	204,633	101	- 3	- 1	28,474	144	167	172
Dry Goods.....	99	+ 8	+ 5	19,139	+27	156,369	52	+18	- 9	20,992	166	149	189
Electrical Goods.....	315	-19	+ 6	28,247	- 1	323,400	268	-32	-13	19,711	74	89	85
Dairy and Poultry Products.....	28	+48	+ 1	3,161	+35	25,115	15	-27	-14	394	44	75	52
Fresh Fruits and Vegetables.....	82	+18	+ 1	3,423	+24	52,896	55	+21	+ 9	484	22	22	19
Farm Supplies.....	8	+19	+11	459	+48	8,147	c	c	c	c	c	c	c
Furniture and House Furnishings.....	67	-28	+15	6,144	+11	83,125	36	-19	- 8	7,871	181	168	227
Groceries and Foods, except Farm Products.....	599	+12	+ 7	64,127	+15	617,613	362	- 6	+ 6	45,905	125	144	130
Full-line Wholesalers d.....	316	+13	+ 4	27,094	+15	249,895	188	- 8	+ 6	21,556	132	153	133
Voluntary-group Wholesalers.....	143	+11	+ 9	21,406	+13	216,288	99	- 3	+ 1	17,004	151	167	159
Retailer-cooperative Warehouses.....	21	+13	+ 8	4,801	+14	40,759	10	-10	+ 6	2,842	107	118	112
Specialty Lines.....	119	+12	+10	10,826	+20	110,671	65	- 1	- 4	4,503	71	79	78
Confectionery.....	39	+22	+ 7	962	+28	7,693	22	+27	+11	380	78	80	78
Meats and Meat Products.....	95	+31	+ 6	33,853	+50	317,766	72	+ 1	+ 4	5,583	40	50	38
Beer.....	52	+17	-11	1,289	+22	11,063	43	+33	+15	406	37	32	29
Wines and Liquors.....	31	+10	+31	7,766	+20	60,003	21	+19	+10	11,616	162	150	193
Liquor Department of Other Trades e.....	35	+ 6	+33	7,401	+33	54,876	34	+ 8	+ 9	9,448	128	126	156
Total Hardware Group.....	348	- 6	+ 2	39,886	+16	477,620	220	-18	- 7	43,226	164	186	184
General Hardware.....	131	- 9	+ 1	22,752	+12	267,665	83	-21	- 8	29,959	189	210	210
Industrial Supplies.....	114	+ 8	+ 6	11,042	+24	144,181	75	- 5	- 3	9,970	132	160	148
Plumbing and Heating Supplies.....	103	-14	+ 1	6,092	+13	65,774	62	-24	- 6	3,397	117	120	126
Jewelry.....	37	-12	+16	2,741	+11	20,923	21	- 8	- 3	2,588	153	156	191
Optical Goods.....	22	- 1	+ 4	347	+ 9	3,175	10	+14	+ 1	219	141	133	145
Lumber and Building Materials.....	50	+ 1	+ 6	4,418	+13	46,857	34	-11	+ 6	3,023	89	106	96
Machinery, Equipment, and Supplies, except Electrical.....	65	-10	+ 1	3,282	+10	40,128	47	-12	+ 2	4,315	166	159	155
Surgical Equipment and Supplies.....	18	- 5	+ 5	293	+24	11,912	10	+ 8	f	297	203	164	211
Metals.....	32	- 2	+ 5	5,424	- 9	55,089	19	-23	- 4	3,814	85	124	97
Paper and Its Products.....	98	-20	+ 9	5,915	+10	70,624	50	+11	- 3	5,996	178	125	193
Petroleum.....	12	- 8	- 4	20,038	+14	185,655	7	+12	- 6	1,017	76	60	85
Tobacco and Its Products.....	141	+12	+ 1	15,372	+11	140,080	56	+19	+ 8	4,757	62	57	57
Leather and Shoe Findings.....	17	+37	+15	398	+42	3,142	c	c	c	c	c	c	c
Miscellaneous.....	25	- 8	- 4	2,360	+11	22,882	28	+22	- 4	3,685	153	113	153

a These stock-sales ratios are percentages obtained by dividing stocks by sales for an identical group of firms. b Less than 0.5 percent. c Insufficient data to show separately.
d Not affiliated with voluntary or cooperative groups. e Chiefly of the wholesale drug trade. f No change.

WHOLESALESA' accounts receivable and collections, September, 1942

Kind of Business	Collection Percentages a				Accounts Receivable		
	Number of firms reporting	September 1942	September 1941	August 1942	Percent change		As of September 1, 1942 (Add 000)
					Sept. 1942 vs. Sept. 1941	Sept. 1942 vs. Aug. 1942	
United States.....	2,309	88	75	87	- 9	+ 2	\$290,394
Automotive Supplies.....	153	81	64	81	-27	+ 3	3,453
Chemicals (industrial).....	17	98	89	92	- 3	+17	1,659
Paints and Varnishes.....	31	67	60	66	+ 4	- b	5,326
Clothing and Furnishings, except Shoes.....	41	67	61	58	- 9	+23	5,473
Shoes and Other Footwear.....	29	58	40	49	- 3	+17	14,162
Coal.....	7	96	87	83	+20	+ b	1,723
Drugs and Sundries (liquor excluded).....	116	86	70	82	- 8	+ 2	22,314
Dry Goods.....	88	51	44	50	- 1	+11	29,813
Electrical Goods.....	292	70	73	72	-12	- 1	37,432
Dairy and Poultry Products.....	22	147	124	144	+20	+ b	1,772
Fresh Fruits and Vegetables.....	64	186	158	172	+ b	- 6	1,231
Farm Supplies.....	5	119	99	98	+ 8	- 2	1,347
Furniture and House Furnishings.....	56	60	57	60	-25	- 9	9,040
Groceries and Foods, except Farm Products.....	454	122	101	118	- 6	+ 3	39,965
Full-line Wholesalers.....	224	113	94	108	- 6	+ 3	17,843
Voluntary-group Wholesalers.....	118	133	103	126	-12	+ b	12,839
Retailer-cooperative Warehouses.....	19	200	167	183	- 6	+ 5	2,012
Specialty Lines.....	93	103	96	106	+ 8	+ 7	7,271
Confectionery.....	22	88	71	83	+ 6	+ 5	505
Meats and Meat Products.....	83	173	153	173	+13	- 3	18,297
Beer.....	23	126	115	140	- 2	- 7	294
Wines and Liquors.....	24	89	72	84	- 4	+ 4	6,262
Liquor Department of Other Trades.....	33	85	74	79	+13	- 5	6,915
Total Hardware Group.....	324	77	62	74	-17	- 2	47,285
General Hardware.....	120	76	57	72	-24	- 2	27,836
Industrial Supplies.....	104	81	75	83	- 2	- 1	11,195
Plumbing and Heating Supplies.....	100	72	68	71	-10	- 3	8,254
Jewelry.....	29	39	25	41	-21	+ 8	3,490
Optical Goods.....	19	79	70	73	- 6	+ 3	352
Lumber and Building Materials.....	47	89	74	82	-10	- 5	5,008
Machinery, Equipment and Supplies, except Electrical.....	56	64	54	66	-14	+ 3	4,502
Surgical Equipment and Supplies.....	17	56	48	55	-11	- 4	474
Metals.....	31	114	102	115	-23	- 4	4,468
Paper and Its Products.....	85	71	68	68	-20	- 1	7,130
Petroleum.....	9	150	126	137	-23	- 4	968
Tobacco and Its Products.....	97	148	128	143	- 1	- 1	8,166
Leather and Shoe Findings.....	15	70	46	62	- 8	- 3	351
Miscellaneous.....	20	78	77	76	+ b	+ 8	2,217

a Collection percentages are obtained by dividing the collections by accounts receivable for an identical group of firms. b Less than 0.5 percent.



Where Are YOU Headed?

■ If it's success in credit work that you are heading for — here's a pointer:

Over 1500 of your fellow credit workers are *at this moment* studying courses offered by the National Institute of Credit—the educational arm of the National Association of Credit Men.

They are preparing themselves today for today's responsibilities—and tomorrow's opportunities.

They have chosen their direction—and they are forging forward by training in credit.

■ Have you given serious thought to your own progress? Are you confident that you are headed in the right direction?

If you can't answer "yes" to that question — then clip the attached coupon.

Let us tell you about the opportunities in credit and how to prepare yourself for them — either by correspondence courses or by classroom attendance.

Think it over!

Is your future progress worth the investment of a 3c stamp to let us know that you too want to *prepare today for the opportunities tomorrow?*

Do it now!

National Institute of Credit 1 Park Ave.
New York

NATIONAL INSTITUTE OF CREDIT
One Park Avenue, New York, N. Y.

Please send me "Forging Forward—by Training in Credit!" and information about your Correspondence Course in Credits and Collections.

Name Address

City

"150 U.S. PLANES *Missing!*"



IN yesterday's daring sweep over Germany, 150 U.S. planes failed to reach their targets... failed *because they never started!*" That's the *unprinted* news between the lines of every published report such as "Fire In War Plant. Can Resume Production In 2 Weeks."

Checks from fire insurance companies can't stop enemy tanks. Guns and planes can't be built in the ashes of a factory. Even homes for war workers can't be rebuilt without stealing materials from fighting men.

That's why *fire defense* is a vital part of *national offense!* And voluntarily—at their own-expense—the Capital Stock fire insurance companies of America are waging their own war for American victory... helping to safeguard the production miracles of American free enterprise against the paralysis of fire.

Throughout America, their army of fire-prevention experts is helping guard production against stoppage... Inspecting and devising safeguards for the stock-piles of vital materials upon which our war effort depends... Assisting local fire departments to eliminate or reduce fire hazards... Helping government agencies in the task of producing and moving supplies to our armed forces in a giant stream with minimum loss...

Thru your Capital Stock company insurance agent or broker you can get invaluable help in reducing fire hazards. Behind him are all the resources of the nation's leading fire-prevention agencies. Put your problems before him.

And when you buy fire insurance, insist on the kind that not only pays if fire strikes but *helps keep fires from starting.* Such insurance is sold by the agent who displays the emblem below.



THE NATIONAL BOARD OF FIRE UNDERWRITERS

Est. 1866—Maintained for public service by 200 capital stock fire insurance companies

85 JOHN STREET, NEW YORK

INVEST IN AMERICA . . . BUY WAR SAVINGS BONDS REGULARLY

